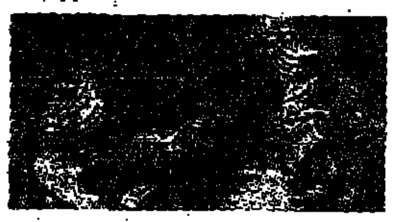

**World recession**

*Is there worse to come?*

Page 16

**Money markets**

*Old Lady under fire*

Page 19

**No vote**

*Will Canada survive?*

Page 4

**Survey**

● *Aluminium*

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FT NEWSPAPER OF THE YEAR

# FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY OCTOBER 28 1992 D8523A

## Uruguay Round breakthrough seen as possible

A breakthrough in the Uruguay Round of world trade talks seemed possible after the US said it was prepared to look at new ways to resolve a dispute over oilseeds. *Talks virtually collapsed* after EC agriculture commissioner Ray MacSharry (left) said he could work only inside the framework of the Common Agricultural Policy, a position which had seemed unacceptable to the US. Page 18

**Israeli tanks move up:** Israel positioned more tanks and troops along its border with Lebanon on the third day of hostilities between Iranian-backed Hizbollah guerrillas and Israeli forces. At least 14 people are thought to have died in the violence. Page 6

**Aircraft jobs to go:** FLS Aerospace, UK-based aircraft maintenance subsidiary of Danish industrial conglomerate FLS Industries, said it would shed about 700 jobs – 27 per cent of its UK workforce – as a consequence of Dan-Air's takeover by British Airways. Page 10

**Poor electronics results:** Japan's big electronics companies – including Matsushita Electric Industrial, Mitsubishi Electric, Toshiba, NEC, Fujitsu, and Hitachi – cut capital spending plans further after reporting dismal interim results. Page 19; Details, Page 23

**Drackett unit sold:** US based Bristol-Myers Squibb, the world's third-biggest pharmaceuticals company, is selling its Drackett household product business for $1.15bn cash to S.C. Johnson & Son, a privately held consumer products company. Page 19

**Transfusion doctor barred:** France's medical practitioners' association, which operates in secret, is reported to have barred Dr Michel Garretta from practising medicine for life. Garretta was sentenced in Paris to four years' jail for knowingly allowing blood infected with the HIV virus to be used for transfusions.

**Wider trains ruled out:** British Rail and the government have ruled out converting Britain's railways to take wider continental freight trains after the opening of the Channel tunnel. This means most continental freight traffic will continue to enter Britain by road. Page 9

**Mixed outlook for SIA:** Singapore Airlines' parent company, SIA, reporting first-half operating profits 8.9 per cent lower at S$477m (US$298m), warned that business for the rest of this year would be "mixed". Page 23

**Germany approaches low point:** German vehicle production will fall 7 per cent next year as the national economy reaches the low-point of the current downturn, Mr Karl Heinrich Oppenländer, president of the Ifo economics institute said. Page 2

**Delors demands co-ordination:** European Commission president Jacques Delors is pressing *EC leaders to produce a co-ordinated economic* growth package for Europe to head off a potential 1930s-style slump. Page 2

**Royal Trust quits US:** Royal Trust, Canadian financial services group controlled by Toronto's Bronfman family, has sold its Seattle-based network of former savings and loan institutions, Pacific First Financial, to Washington Mutual Savings Bank of Seattle for US$663m. Page 21

**Nabisco profits up:** Lower interest charges more than compensated for falling domestic tobacco profits at US cigarette and food group RJR Nabisco in the third quarter, when it posted after-tax profits of $182m, up from $123m in the same period a year earlier. Page 21

**Iosco accord unlikely:** Agreement on an international standard for capital to be held by securities firms and banks looked unlikely when US Securities and Exchange Commission chairman Richard Breeden told the International Organisation of Securities Commissions' meeting in London he was implacably opposed to the current proposal. Page 19

**Rugby tour under threat:** South Africa's four-match rugby tour of England was put in jeopardy when host cities Leeds and Leicester said they wanted to cancel the matches. ANC says Twickenham match can go ahead, Page 6

| ■ STOCK MARKET INDICES | | |
|---|---|---|
| FT-SE 100: | 2,669.8 | (+8.2) |
| Yield | 4.51 | |
| FT-SE Eurotrack 100 | 1,038.79 | (+0.63) |
| FT-A All-Share | 1,268.51 | (+0.3%) |
| FT-A World Index | 137.49 | (+0.2%) |
| Nikkei | 17,185.28 | (+173.93) |
| New York: | | |
| Dow Jones Ind Ave | 3,235.73 | (−8.38) |
| S&P Composite | 418.49 | (+0.33) |
| ■ US RATES | | |
| Federal Funds: | 2 15/16% | (3 1/8%) |
| 3-mo Treas Bills: Yld | 2.993% | (2.961%) |
| Long Bond | 95 11/16 | (95 7/32) |
| Yield | 7.611% | (7.653%) |
| ■ LONDON MONEY | | |
| 3-mo Interbank | 7 1/4% | (7 7/8%) |
| Liffe long gilt future: | Dec 100 7/16 | (Dec 100 1/4) |
| ■ NORTH SEA OIL (Argus) | | |
| Brent 15-day (Dec) | $19.875 | (19.90) |
| ■ Gold | | |
| New York Comex | $337.4 | (341.1) |
| London | $338.35 | (341.25) |

| ■ STERLING | | |
|---|---|---|
| New York: | | |
| $ | 1.577 | (1.584) |
| London: | | |
| $ | 1.579 | (1.587) |
| DM | 2.4225 | (2.4425) |
| FFr | 8.2176 | (8.275) |
| SFr | 2.1575 | (2.17) |
| Y | 193.25 | (193.5) |
| £ Index | 78.6 | (79.3) |
| ■ DOLLAR | | |
| New York: | | |
| DM | 1.529 | (1.5315) |
| FFr | 5.186 | (5.189) |
| SFr | 1.3595 | (1.3645) |
| Y | 122.2 | (122.0) |
| London: | | |
| DM | 1.534 | (1.5385) |
| FFr | 5.205 | (5.215) |
| SFr | 1.365 | (1.3675) |
| Y | 122.35 | (122.0) |
| $ Index | 63.4 | (same) |
| Tokyo close Y 122.28 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr250 | Lux | LFr60 | Qatar | QR12.00 |
| *Bahrain* | *Din1.250* | *Hungary* | *Ft162* | *Malta* | *Lm0.50* | *S.Arabia* | *SR11* |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lv25 | India | Rs20 | Neth | Fl 3.50 | Spain | Pta200 |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Sweden | SKr14 |
| Czech | Kcs35 | Israel | Shk5.50 | Norway | NKr15.00 | Switz | SFr3.00 |
| Denmark | DKr14 | Italy | L2500 | Oman | OR1.50 | Syria | SyP50.00 |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Thailand | Bht50 |
| Finland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Tunisia | Din1.250 |
| *France* | *FFr8.50* | *Kuwait* | *Fils.800* | *Poland* | *Zl 22,000* | *Turkey* | *L6000* |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es190 | UAE | Dh10.00 |

# Bush hopes buoyed by signs of economic growth

By Michael Prowse in Washington

PRESIDENT George Bush drew solace yesterday from official figures indicating that the US economy grew at an annual rate of 2.7 per cent in the third quarter, a far more robust performance than expected.

Mr Bush hailed the figures as "very encouraging for the American people". *It was the "sixth straight quarter" of growth* following a contraction in the winter and spring of last year, he said.

The figures were the best economic news in months for Mr Bush, but probably came too late to alter the mood of deep pessimism over the outlook for jobs and living standards that has played into the hands of Governor Bill Clinton, the Democratic frontrunner.

Financial markets shrugged off *the figures in the belief that they* gave an exaggerated impression of the economy's underlying strength. The Dow Jones industrial average closed down 8.38 at 3,235.73. Bond prices rose, mainly in reaction to a report indicating that consumer confidence fell again this month.

Analysts said the growth figures reflected an unsustainable pace of consumer spending, which grew at an annual rate of 3.4 per cent against a 0.1 per cent fall in the previous quarter. The turnround *partly reflected* a sharp fall in the personal savings rate to 4.5 per cent.

Doubts about personal spending were heightened by a report showing the fourth consecutive monthly decline in consumer confidence. The Conference Board, a New York business analysis group, said its confidence index fell four points to 53.0, its lowest reading since February and about half the level normal in a healthy recovery.

The rise in gross domestic product was sufficient to raise output above the previous peak reached in the autumn of 1990, prompting some economists to claim that a "real" recovery was at last under way. Most forecasters had expected growth of about 1.5 per cent at an annual rate.

Growth was also spurred by unexpected strength of business equipment investment, which grew at an annual rate of 8.5 per cent, higher defence spending, and a rebuilding of corporate inventories.

Analysts *said* none of the trends looked sustainable. Recent data, including falls in industrial production and employment last month and flat retail sales, suggest the momentum of growth slowed towards the end of the third quarter.

Some analysts also said the GDP figures would be revised down because the Commerce Department had been too optimistic in its assumptions for September's trade deficit.

Europe backs Bush, Page 4
Lex, Page 18
Editorial Comment, Page 16

# Top German institutes attack loan rate policy

By Quentin Peel in Bonn

GERMANY'S five leading economic research institutes yesterday questioned the very foundation of the Bundesbank's tight monetary policy and urged a *rapid relaxation in interest rates* to reverse the current economic downturn.

They also warned that the German government and federal states will fail to reduce the overall public sector deficit next year and called *for severe restraint in* unions' wage demands.

In one of their most critical economic reports in recent times, the institutes warned that growth next year was likely to slow to 0.5 per cent, from a 1.5 *per cent forecast increase in* gross domestic product in 1992.

Even that gloomy forecast is based on the assumption that the Bundesbank will set a higher target for the growth of money supply, and that interest rates will *decline – steadily in the* long-term capital markets, and sharply in the short-term money markets.

The key element in the institutes' autumn report is a critique of the central bank's reliance on *the M3 measure of money supply,* which includes short-term deposits as well as current accounts and cash in circulation. They say that in fixing its money supply target the bank has failed to make sufficient allowance for the increase *in state-controlled prices* in east Germany necessary to bring them up to west German levels.

*"The importance of all those* additional transactions arising from the increase in administered prices, such as rents and heating costs, was under-estimated," they say. "Monetary policy must make available *additional money supply to* correspond with growth in the nominal volume of transactions."

They also say that because of additional distortions, including the attraction of short-term deposits, (because *short-term interest rates are higher than* long-term rates), the M1 measure would be a better guide to monetary policy than M3.

The arguments were partially accepted yesterday by Mr Otmar Issing, the Bundesbank's director *responsible for economic research.* He said the bank's own investigations had shown "some distortions" in M3 recent months. But he insisted the excess growth was only "partly tolerable" and rejected using M1 rather than M3.

*Dr Heiner Flassbeck, of the* DIW institute in Berlin, said a rapid decision on tax reform was needed, to ensure a fairer distribution of the burden of unification costs and provide an incentive for wage restraint.

*Mr Kohl's initiative was also* sharply criticised by the BDI, the German industry federation, which said "announcing future tax increases without enacting the necessary cuts in public spending further endangers the *frail German economy".*

German economists see gloomy outlook, Page 2

## Sweeping defeat of unity deal gives Quebec hope for independence

# Canada rejects reform package

By Bernard Simon in Toronto

CANADIAN business leaders and many politicians yesterday urged that efforts to rewrite the constitution be put aside to focus on the faltering economy, after the *unequivocal rejection of a constitutional reform package* in Monday's referendum.

Mr Brian Mulroney, prime minister, responded sombrely to the snub from the electorate: "The accord is history ... the problems *that faced us as a nation remain"*, he said. Those problems, he warned, could not be resolved "in the foreseeable future at least, through constitutional reform".

The extent of the No victory *referendum was far greater than* opinion polls had projected. A clear majority of voters in six of Canada's 10 provinces rejected the deal, known as the Charlottetown Agreement, which was hammered out in August by Mr *Mulroney and the leaders of all* 10 provinces.

Voters in Ontario, where about a third of Canada's population lives, approved the deal by only the narrowest of margins. Only three small Atlantic provinces, which depend heavily on the federal government for transfer payments, recorded an unequivocal Yes vote.

Quebec separatists took heart from the province's vote against reform by a margin of 56 to 42 per *cent, vowing to translate the* rejection into a drive for independence.

Mr Jacques Parizeau of the Parti Quebecois and Mr Lucien Bouchard of its federal affiliate, the Bloc Quebecois, plan to push Mr *Robert Bourassa, the* province's Liberal premier, to hold a general election in the province as soon as possible. If they win,

*The No's have it: premier Brian Mulroney announces the constitutional reform referendum result*

they have promised another referendum on sovereignty.

Financial markets, however, shrugged off any short-term threat to Canada's unity. The Canadian dollar rose by almost half a cent against the US dollar, the bond market rallied and banks cut their prime lending rate by 0.5 percentage point to 7.75 per cent.

Those in favour of the *Charlottetown deal, a carefully-balanced* compromise between the demands of Quebec, western Canada and aboriginal people, found a crumb of consolation, however, in the fact that the No vote was not confined to any single region or population group.

Many appear to have used their votes to vent their anger against the political and business establishment in general and a wide range of unpopular government policies.

The Business Council on National Issues, which represents the chief executives of 150 of Canada's biggest companies, yesterday called for an indefinite deferral of any further attempt at comprehensive constitutional reform. BCNI urged political leaders to turn instead to more flexible forms of negotiation.

It added that Canadian business's priority is to "get the economy moving and growing again".

Political splintering, Page 4
Editorial comment, Page 16

# Yeltsin takes hard line with Russian extremist front

By Leyla Boulton and John Lloyd in Moscow

RUSSIAN President Boris Yeltsin responded to increasingly vociferous threats to his authority by deciding yesterday to ban a coalition of communists and fascists and warn the west of the "terrible danger" posed by Russian extremists.

His latest statements foreshadow a possible crackdown at home and, on the eve of debt negotiations and a conference on aid for Russia, a last-ditch attempt to persuade the west to throw its political and economic weight behind his reforms, even if they are watered down.

Russian officials suggested that the country's relationship with the International Monetary Fund could become a casualty of the political instability there, which they cited as a reason for not being able to set a date for talks on a full standby agreement.

*Mr Yeltsin said he had ordered* the preparation of a decree banning the National Salvation Front – which wants his removal and an end to western-style market reforms – because the organisation called "for the overthrow of legally constituted authorities".

A manifesto produced by the Front leadership said it would stick to constitutional methods to achieve its aims, but some participants at the Front's founding congress on Saturday hinted that violence and conspiracy were part of the scenario.

It is not clear what the ban will mean, as the Front includes several deputies who are due to attend a December 1 meeting of the Russian super-parliament that will seek to unseat the government. However Mr Yeltsin ordered Russian diplomats to explain the dangers of such organisations to the west, where they "do not yet understand this".

Mr Yeltsin's authority faced a further challenge when the chairman of the Russian parliament *used a self-styled parliamentary* security force to "guard" the Izvestia newspaper in violation of a presidential decree which establishes its independence.

The newspaper's editor, Mr Igor Golembiovsky, said he had received assurances that the parliament's media committee would ask the Constitutional Court to challenge parliament's decision last week claiming control over the Izvestia publishing complex. But some of his colleagues feared the arrival of armed officers was a prelude to a forcible takeover of the paper.

The political uncertainty in Moscow may already be pushing the president into the arms of the so-called centrist Civic Union movement, which wants the removal of key radical reformers in his cabinet, a law and order crackdown, and more leniency for inefficient state enterprises.

But Mr Yeltsin also said he would "not sacrifice" either Mr Yegor Gaidar, the acting prime minister who launched Polish-style shock therapy reforms in January, or Mr Andrei Kozyrev, *the pro-western foreign minister.*

IMF talks may be postponed, Page 2



CONTENTS

# Delors calls for joint effort to head off slump

By Lionel Barber in Strasbourg

A CO-ORDINATED economic growth package for Europe to head off a potential 1930s-style slump is being urged on EC leaders by Mr Jacques Delors, the European Commission president. Amid concern about the deteriorating economic situation in Germany and its impact on faltering Italy and Britain, Mr Delors is pressing leaders to discuss measures to reinforce monetary co-operation, boost investment, and revive confidence.

Without such action, he believes, public support for the Maastricht treaty on European political and monetary union will ebb further, casting doubts on the goal of a single European currency by the end of the century.

In a speech yesterday to the European parliament in Strasbourg, Mr Delors called for a debate on growth at the Edinburgh summit in December. He is backed by Mr Henning Christophersen, financial affairs commissioner, who said last week that the worsening situation should be at the "core" of the summit.

So far, however, Mr Delors feels he has been "muzzled" by EC leaders worried about the impact of comments on the financial markets, according to close colleagues.

Britain's cool reaction has also been disappointing, according to a senior Commission official. Mr Delors is understood to share some of Mr John Major's concerns about the functioning of the exchange rate mechanism in the run-up to the withdrawal of sterling and the Italian lira last month.

Mr Delors is said to be less impressed with Mr Major's solo effort to kick-start growth, believing that a co-ordinated strategy inside the EC would be far more effective. He has ordered staff, therefore, to prepare an intensive analysis of the ERM crisis as well as new ideas to break the deflationary cycle in Europe, to be presented if possible in Edinburgh.

His case for a new growth EC strategy amounts partly to a political comeback after several bitter disappointments. "He wants to reassert his influence," said an aide. But his initiative is also a recognition that the Maastricht treaty's economic convergence criteria are leading inexorably toward deflation in Europe, particularly in countries with large budget deficits such as Italy.

He is therefore warning fellow commissioners that without compensatory "cohesion" financing for the poorer EC members, there could be a "catastrophe". This financing is the centrepiece of the Delors II package for increasing the EC's budget.

Jacques Delors: fears a 1930s-type slump unless EC co-ordinates growth plans

Institutes forecast conjunction of east's stagnation and west's near-recession

# German economists see gloomy outlook

By Quentin Peel in Bonn

GERMANY'S five leading economic institutes have issued a decidedly gloomy prognosis for the coming year, suggesting a dangerous conjuncture of stagnation in east Germany and all-but-recession in the west.

Yet even that forecast is based on a series of crucial preconditions for economic recovery, including a gradual recovery of the world economy, strict control of government spending, modest wage demands, and, most important of all, a relatively swift decline in domestic interest rates.

The headline figure of a 0.5 per cent growth rate for gross domestic and gross national product next year in western Germany – compared with GDP growth of 1.5 per cent and GNP of 1.0 per cent this year – thus requires a clear relaxation of monetary policy by the Bundesbank.

Indeed, one reason for the expectation of a gradual recovery in the international economy is that the Bundesbank will bring down its interest rates sharply, thus allowing the rest of the European Community to follow suit.

After a much more hopeful forecast for the German economy in the spring, economists suffered a double disappointment when the international economy failed to pick up and consumer spending in Germany remained sluggish. Industrial orders have been declining for several months, and investment in machinery and equipment is forecast to decline both this year and next.

"Given the obvious insecurity of consumers and investors, it cannot be excluded that the economic downturn will actually accelerate, and last longer than suggested," they say. "We do not think this is a probable development, but the dynamics of a downturn, once it is under way, are very hard to predict.

"Whatever happens, it requires strong positive signals to stabilise the confidence of the economic actors in renewed economic growth."

The institutes say that they "assume such stimulation does indeed come about, and that therefore the downturn will be limited to the coming six months."

Dr Heiner Flassbeck, of the Berlin-based German Economic Research Institute (DIW), who co-ordinated the report, warned that there was a real danger that the downturn in western Germany would have a knock-on effect in eastern Germany, causing western investors to cut back on spending as their profits were squeezed back home.

Already there are clear indications of a downturn in investment spending on machinery and equipment in the west: it is forecast to fall from DM239.6bn (£97bn) in 1991 to DM234.5bn this year and DM228bn in 1993. In the east, in contrast, the forecast is for a rise from DM40.4bn in 1991 to DM48.5bn in 1992 and DM56.5bn next year.

The report blames three developments for seriously unsettling the climate in the west: the "surprising" increase in the discount rate ordered by the Bundesbank in July; the political debate on tax increases which began in August; and the turmoil in the currency markets in September.

The belated change of course in interest rates signalled by the central bank, when it cut the Lombard rate from 9.75 to 9.5 per cent in September, was not enough to counterbalance the effect, they say.

As for eastern Germany, the problem was in coming up with any reliable predictions at all, given the unreliability of the statistical base. The east's labour market was in a "desolate" state, with no improvement in sight, in spite of official unemployment figures suggesting a decline in joblessness. From a position at the end of 1989, when there were almost 10m people economically active, there were today barely 6m, of whom 400,000 were on job creation schemes. Official unemployment was 1.1m, or 14.6 per cent, and 250,000 more were on short-time working. "Real unemployment" – including those on job creation schemes or retraining – was more like 2m, or one quarter of the potential workforce.

The institutes argue that there ideally should be a renegotiation of wage contracts across the board, to stop the process of wage equalisation with western Germany until productivity in the east has caught up. Until then, they warn, the gap will mean a severe disincentive to new investors, and an encouragement of capital-intensive, rather than labour-intensive projects – the opposite of what was needed.

KEY FIGURES IN THE FORECAST

| | West | | | East | | | All Germany | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1991 | 1992 | 1993 | 1991 | 1992 | 1993 |
| GNP (% change on previous year) | 3.6 | 1.0 | 0.5 | −28.4 | 5.5 | 7.0 | 0.4 | 1.0 | 1.0 |
| People employed (000s) | 29,219 | 29,450 | 29,350 | 7,179 | 6,170 | 5,900 | 36,398 | 35,620 | 35,250 |
| Unemployed (000s) | 1,690 | 1,800 | 2,030 | 913 | 1,190 | 1,240 | 2,602 | 2,990 | 3,270 |
| (rate as a %) | 5.5 | 5.8 | 6.5 | 10.9 | 15.3 | 16.5 | 6.7 | 7.7 | 8.5 |
| Consumer prices (% increase on previous year) | 3.8 | 4.0 | 3.5 | 12.8 | 11.0 | 6.5 | 4.8 | 5.0 | 4.5 |
| Public sector deficit (DMbn) | −93.6 | −73.0 | −64.0 | 4.5 | −22.5 | −36.0 | −89.1 | −95.5 | −100.0 |
| Balance on current a/c (DMbn) | – | – | – | – | – | – | −32.9 | −40 | −50 |

Source: Federal Statistics Office; Bundesbank; Institutes' estimates

# Russia says IMF talks may be postponed

By John Lloyd in Moscow

TALKS scheduled for mid-November between the Russian government and the International Monetary Fund are likely to be postponed until next year because of the worsening political climate in the country.

Mr Alexei Mozhin, head of the department for relations with international financial institutions, said yesterday that "normally we would have a timetable fixed for negotiations with the fund – but the political uncertainties in the country now make it impossible".

The IMF negotiating team is scheduled to return to Moscow on November 10 for the talks, which are critically important for the Russian economy.

Mr Mozhin said the government still "would like to have an agreement with the IMF as soon as possible". So far, only $1bn of a promised $24bn package of support has been released by the IMF. A further allocation of $3bn-$4bn can be paid only when the terms of a standby agreement have been reached.

Mr Alexander Shokhin, the deputy prime minister with responsibility for foreign economic relations, said yesterday that the monthly inflation target agreed with the IMF earlier this year, of 9 per cent, was unlikely to be reached, and that actual inflation could be double that. He warned that if the government was forced to index pensions and stipends and double the minimum wage, as decreed by the Russian parliament earlier this month, then "we could slide into hyperinflation".

Talks will start today in Paris on the former Soviet debt, variously estimated between $70bn and $80bn. The Russian side will say that it has practically no hard currency reserves, and that it can pay only between $2.5bn and $3bn next year, with even that dependent on the receipt of credits.

Mr Mozhin said the expected financing gap for next year, worked out by the IMF and the government, was "dozens of billions of dollars". It included the scheduled debt repayments for 1993 of $20bn, arrears from this year estimated at around $8bn and a widening trade gap.

● The rouble again plunged in trading in Moscow yesterday, losing 25 points from Thursday's level to stand at Rbs393 to the dollar. It now stands at a little over a third of its rate in July of 135 per dollar.

# Ukraine's PM vows to fight corruption

By Chrystia Freeland in Kiev

VOWING TO fight corruption, Mr Leonid Kuchma, Ukraine's newly-appointed prime minister, yesterday purged ex-communist functionaries from his cabinet and replaced them with industrialists and nationalist politicians.

In a hard-hitting speech which won the applause of parliament, Mr Kuchma asserted that "the wholesale theft of the country is taking place... Government officials have used chatter about market reforms to disguise their incompetence and dishonesty".

As a specific example of corruption, he cited this year's re-export of 8m tonnes of Russian oil. Mr Kuchma said the re-export of oil sold by Russia at subsidised rates had unfairly enriched bureaucrats and left Ukraine with an energy shortage. Among other examples, he named Mr Volodymyr Horiunov, head of the state oil concern and an associate of Mr Vitold Fokin, the former prime minister, saying his refinery had re-exported fuel without a state licence.

As the Ukrainian president, Mr Leonid Kravchuk, looked on, Mr Kuchma won parliament's approval for a new cabinet which will exclude a troika of ex-communist functionaries – former deputy prime ministers Mr Valentyn Symonenko, Mr Oleh Slepichev and Mr Konstantyn Masyk.

Mr Ihor Iukhnovsky, a respected physicist from western Ukraine who led the nationalist block in parliament before Ukraine became independent, takes the number two job as first deputy prime minister. Mr Vasyl Ievtukhov, leader of Ukraine's industrial lobby, was also appointed a deputy prime minister.

The key ministries of defence and foreign affairs were left untouched, but Mr Kuchma, who took a trip to Moscow just a week after becoming prime minister, called for a thaw in Ukrainian-Russian relations.

"This government will put an end to the economic cold war with Russia," he said.

Judging by his appointment and his brief statement to parliament, Mr Kuchma seems intent on reshaping the former Soviet Union's second largest economy in the image of the efficient but state-dominated military industrial complex where he built his career.

The "order" he promises is likely to be order of an old-fashioned variety: Mr Kuchma, who spoke warmly of the Chinese economic model, lambasted Ukraine's reform-minded central bank for what he described as its preference for lending to commercial banks rather than bailing out Ukraine's state factories.

Mr Kuchma asked for and obtained an instant change in the constitution to bring under cabinet authority the central bank and the State Propety Fund, the body which oversees privatisation.

# Motor industry 'is facing hour of truth'

By Christopher Parkes in Frankfurt

GERMAN car and commercial vehicle production will fall 7 per cent next year as the national economy reaches the low-point of the current downturn, Mr Karl Heinrich Oppenländer, president of the Ifo economics institute, said yesterday.

Industrial production will fall 2 per cent, following a 1 per cent drop this year, he said in a speech in Munich.

The sectors worst hit this year will show further, albeit smaller, declines. Engineering, heading for a 6 per cent fall in output this year (the industry association forecasts 5 per cent), will see production fall by up to 4 per cent in 1993, Mr Oppenländer said.

Textiles would suffer similar falls, while clothing manufacturers, facing a 12 per cent fall this year, can expect a 4 per cent reduction next.

Claiming that the motor industry faced "the hour of truth" as the long-expected downturn came, he added that "the automobile bosses are prepared". The industry association recently estimated that the total workforce must be cut by 200,000 in the next few years. Mercedes-Benz has already shed more than 10,000 workers this year.

Mr Oppenländer, who forecast a "slight" economic recovery in the second half of next year, accused the Bundesbank of keeping interest rates high for too long and strangling the economy. However, he expected reductions in leading rates before the end of the year.

● East Germany's loss-making Eko steel plant on the Polish border is to be rescued with an estimated DM1bn (£409m) in German and EC public funds to prevent the economic collapse of the region, writes Leslie Colitt in Berlin.

The decision was triggered when Krupp, the Ruhr-based steel group, said yesterday it could not uphold an earlier offer to take over Eko because of the depressed state of the European steel market.

A Treuhand official said the privatisation agency and the state of Brandenburg would pay DM500m towards the rescue. The other DM500m would come from the Bonn government and the EC. The money would be used for a new electric steelmill and hot rolling mill which Krupp had intended to finance with the Treuhand and Brandenburg.

Eko has 4,500 employees and is the main employer in the region.

NEWS IN BRIEF

# French business confidence sinks

FRENCH business confidence has plunged over the past month, providing further evidence that the economy could be drifting into recession, writes William Dawkins. A poll of 3,300 company directors by the Insee statistics institute shows universal worry about the outlook for all sectors. It comes in the wake of a series of depressing economic indicators, including stubbornly high unemployment, and falls in retail sales and industrial production over the past quarter. September jobless figures are expected to show a slight rise on the current 10.2 per cent rate.

## Danes to unveil Maastricht plan

Denmark's long-awaited plan for reversing its rejection of the Maastricht treaty will probably be unveiled this week with broad national consensus, Prime Minister Poul Schlüter said yesterday, Reuter reports. The proposal should be agreed on Friday.

## Bundesbank warns on EC money

The Bundesbank, presenting a new set of bank notes, said yesterday the EC would be hard pressed for technical reasons to issue a common currency before the year 2000, Reuter reports from Berlin. In issuing the DM5, DM500 and DM1000 notes, board member Mr Günter Storch, noted the bank had decided to replace old notes back in 1983 and had taken seven years.

## Draft constitution for Bosnia

Negotiators at the Geneva conference on former Yugoslavia yesterday presented a draft constitution for Bosnia-Hercegovina aimed at preserving its territorial integrity and preventing it being divided into three cantons, writes Our Foreign Staff. It is based on the concept of a central government with about 10 regional governments having authority over language, education, police and law enforcement.

## Irish PM criticises minister's role

Mr Albert Reynolds, Irish prime minister, has accused Mr Des O'Malley, his industry and commerce minister, of being "reckless, irresponsible and dishonest" during evidence at a parliamentary inquiry into the beef industry, writes Tim Coone in Dublin. Mr Reynolds was in the witness box defending decisions he took as industry minister in providing export insurance to a number of beef companies selling to Iraq.

# Export surge for Hungary

Hungarian trade figures released yesterday demonstrated export resilience in the face of the international economic slowdown, reports Nicholas Denton in Budapest.

Exports rose 12.5 per cent in the first three-quarters of 1992 compared with a year earlier, while imports fell back 2 per cent, leaving trade in balance. Deliveries slowed over the year as Germany, Hungary's largest trading partner, lost economic momentum. Nevertheless, the Hungarian government hopes that exports will lift the the economy in 1993.

# Fifa falls foul of competition

By Andrew Hill in Brussels

FIFA, world soccer's governing body, and the Italian organisers of the 1990 World Cup broke EC competition rules by giving one tour operator the right to sell World Cup package tours.

The European Commission yesterday showed Fifa and the Italian authorities the yellow card for encouraging a monopoly in the sale of tours, but decided not to fine them since it was the first time Brussels had formally condemned a sporting event's ticket sales system.

However, Sir Leon Brittan, EC competition commissioner, pledged to crack down on any future infringements of Community competition law by organisers of sporting events.

Earlier this year, the Commission persuaded the Olympic committee to change its ticket distribution policy, allowing sought-after tickets for the Barcelona Olympics to move freely across EC frontiers.

In the case of the World Cup, the Commission said it had been concerned only about the monopoly over package tours. It said restrictions on general ticket sales had been justified for security reasons.

But other tour operators had satisfied the Commission that they could easily have offered competing package tours to the World Cup, without undermining safety. Fifa and the Italian authorities accepted this during the Commission's investigation.


Peter Sutherland: long-awaited report on Community

# More user-friendly EC is the aim of Sutherland report

By Lionel Barber in Strasbourg

THE European Community must strengthen the rights of the consumer, streamline its laws, and make its decision-making more open to the public if the single market is to be a success, according to a report requested by the European Commission.

The long-awaited Sutherland report also calls for an ombudsman at EC level or in each member state, possible compulsory courses in EC law for judges, and an effort to allow individuals to seek redress in foreign courts in certain single market disputes.

The Sutherland report – named after Mr Peter Sutherland, the former EC competition commissioner, who chaired the study – is a comprehensive investigation into how to make the single market fair, efficient and user-friendly when it comes into force on January 1, 1993. It will be presented to internal market ministers on November 10. It seeks to balance member states' fears about an allegedly overbearing Brussels bureaucracy and the need for effective policing of the single market to ensure that it works.

Among the report's most important recommendations to avoid fragmentation of the single market is a "deeper partnership" between the Commission and member states, mainly through officials working on an informal basis.

Despite some fears in Brussels that this might lead to unsatisfactory trade-offs between countries, the committee believes that this balance is the best practical application of "subsidiarity".

Other recommendations are:

● Consultation at "the earliest possible stage" by the Commission before it proposes legislation.

● Systematic consolidation of EC law and creation of a legislative co-ordination unit inside the Commission to prevent unnecessary overlap.

● Provision by states and Brussels of informal advice on redress for breaches of EC law to those requesting it.

● The rejection, at this stage, of a central clearing house to collect data on infringements of the single market.

● A new communications strategy to sell the single market's benefits. The report notes that the EC has singularly failed in its efforts to promote the Maastricht treaty.

# Central Europe knocks on the Community door

By Anthony Robinson, East Europe Editor

THE LEADERS of central Europe gather in London today for their first joint summit meeting with the European Community.

All four of the prime ministers – from the Czech and Slovak republics, Hungary and Poland – head fragile coalitions and bring with them a host of domestic problems. These range from the bilateral dispute between Czechoslovakia and Hungary over Slovakia's damming of the Danube river, to nervousness about rising ethnic intolerance and conflicts and the need for EC backing to ease the strains of transition to market economies.

All are likely to find that the Community, on present form, is ill-prepared to offer real help.

The meeting is unfortunately timed. Proposed several months ago by Mr John Major, as head of the EC presidency, to symbolise the EC's continuing interest in the former communist countries, it finds Mr Major preoccupied with his own political survival, and, together with Mr Jacques Delors, European Commission president, deeply embroiled in the Maastricht ratification process.

The "deepening" of EC institutions enshrined in the Maastricht treaty was conceived before the collapse of Soviet power in eastern Europe opened up new perspectives for European unification. Rather than re-examine the whole concept in the light of the changed realities, the EC decided to press on with the Maastricht process. It then confirmed that it attached greater priority to admitting the economically prosperous and politically stable European Free Trade Association countries than the economically and politically fragile countries to the east and south-east of Europe.

The EC has been prepared to concede only limited financial and technical assistance, and make hard-fought trade and tariff concessions in bilateral association agreements with the "Visegrad 3" countries. They are named after the Hungarian town where the three agreed in 1990 to co-ordinate their approach to EC entry. Now Brussels is dragging its feet on similar negotiations with Romania and Bulgaria, the de facto "second tier" of eastern Europe.

In practice the limited opening up to the east has been grasped with both hands by all Visegrad 3 countries which have compensated for the collapse in Comecon trade by sharp increases in that with the EC. With their eyes on eventual Community entry, they have also diligently designed their reform legislation to be EC compatible.

What the prime ministers, flanked by their finance and foreign ministers, really want is a timetable for full-fledged membership of the Community. Above all, they seek assurance that the EC takes them and their problems seriously. What they most fear is being left on the doorstep while their domestic political, economic and security problems become insoluble against a possible worst case scenario of spreading civil war in Yugoslavia and economic collapse and political chaos in the former Soviet Union.

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**NEWS: WORLD TRADE**

# US airlines 'risk sell-off to foreigners'

By Paul Betts, Aerospace Correspondent

MR ROBERT Crandall, chairman of American Airlines, yesterday warned the US government it risked "selling off the US airline industry" to foreign carriers if it approved the $750m (£460m) investment by British Airways in USAir without securing equal competitive opportunities in the UK for US airlines.

His warning came amid growing signs that the US and UK governments want to speed talks to liberalise air transport between the two countries, clearing the way for BA's acquisition of a 44 per cent stake in USAir.

US and UK government negotiators resumed talks in Washington yesterday in an apparent effort to reach an agreement before next week's US Presidential election. This has worried the big US carriers, including American, United Airlines and Delta Air Lines, which are pressing their governments not to rush into any compromise threatening to undermine their competitive position against BA.

In London yesterday, Mr Crandall said proposals tabled by both the US and UK governments were unacceptable because they did not provide equal opportunities for US carriers. Mr Crandall, due to hold talks with Mr John MacGregor, the UK transport secretary yesterday, said any agreement should enable US carriers to have open access to London's Heathrow airport including the necessary landing slots to operate new services.

"What we are asking is simply to fly all the places where BA can fly," he said. "We want to fly a lot of long-haul services from the US into Heathrow and east of Heathrow in direct competition with BA."

The US and the UK are considering phasing in open skies between the two countries in exchange for allowing BA to acquire its stake in USAir. Mr Crandall said air services between the two countries should be totally and immediately liberalised. American Airlines was not interested in acquiring a large stake in any European carrier because none could offer the access to the same number of passengers as USAir would offer BA. "The US domestic market accounts for 40 per cent of the world market."

Sir Colin Marshall, BA's chief executive, said yesterday that US airlines were trying to keep European competition out of the US by opposing the BA-USAir deal. "You would think we were not investing fresh capital in a hard-pressed industry, but stealing from Fort Knox," he added. Mr Crandall claimed the big three US carriers would collectively lose $500m a year in revenues if the BA-USAir deal went ahead without a balanced UK-US liberalisation agreement.

# Warning on N America reinsurance in London

By Richard Lapper

NORTH American insurance companies will face potentially steep increases in premium rates when they come to renew annual reinsurance programmes in London over the next few weeks.

Underwriters at Lloyd's of London and in the wider company market have been stung into action by losses from Hurricane Andrew, which devastated parts of Florida and Louisiana in August.

"For the primary insurer the message for the future is simple. Reinsurance is going to become scarcer and more expensive to buy," Mr Dick Hazell, deputy chairman of Lloyd's told a meeting of US insurers yesterday.

Insured losses from Andrew were recently estimated at $10.2bn (£6.2bn), but brokers and underwriters believe losses could exceed $14bn. Reinsurers can expect to pick up $8bn of the bill, with the London market bearing up to 30 per cent of the cost. Mr Hazell said the London market would offer less cover and higher limits. Policy terms and conditions could be tightened.

# Caricom faces its moment of truth

## Inability to create a valid customs union could spell disaster, Canute James writes

IN 19 years of limited progress towards the creation of a regional common market, the Caribbean Economic Community now faces its moment of truth. At an extraordinary summit starting today, community leaders will, in effect, decide whether or not the group can survive. They must establish if they can create a valid customs union, which all members agree is a prerequisite for the elusive common market.

The community, made up of 13 English-speaking countries, has been trying to create the customs union for the past three years. Now there are veiled warnings from technocrats and business leaders that little hope exists for any meaningful integration of regional economies if it does not get it right this time. Caricom could disintegrate. All members agree on the need for a customs union, but the community is riven by differences over new tariff levels, and whether changes should be made to the regime already implemented by some countries. Problems have been compounded by perceived pressure from the US and international financial institutions for large tariff cuts.

Price: gradual cuts

The common external tariff imposes low rates of duty on imports not competing with goods produced within the community, but sets high rates on any imports likely to injure domestic industry. Under the tariff, the highest rate of duty within the community is 45 per cent, the lowest 5 per cent. This replaced a structure in which tariffs ranged from 5 to 70 per cent. Rates differ where the imports are raw materials or finished products, with agricultural products given protection, while inputs for agriculture are subject to low tariffs.

Some governments, such as Jamaica, say the tariff levels must be cut because they are out of step with global tendencies to deregulated trade. Jamaica's proposal for the then highest rate to be cut to 20 per cent started the debate within Caricom and led to next week's summit. Other countries argue tariff rates are higher than those they have been using, and must be reduced because they are inflationary.

Mr George Price, premier of Belize, says the tariff rates must stay because any change would hit small, open economies like his. He is willing to consider tariff cuts at some stage, but gradually and on a set timetable. Other countries backing retention of the tariff levels say their industries need protection. Many depend heavily on customs revenue to support their fiscal budgets; some argue than any, even marginal, tariff-rate cuts will set back their efforts to balance their budgets. The narrow tax base of most Caricom countries does not offer any alternative source of revenue.

The argument for retention of the tariff levels is supported by the region's business leaders. Reducing the levels, they say, will cause extensive dislocation and business closures in many countries in the community. The business leaders recently concluded some governments were having a "defeatist reaction" to criticism of the tariff levels, and were acting with "indecent haste" because of external pressure.

Sandiford: difficulties

Evidence exists that the community is being pressed from outside. Mr Erskine Sandiford, prime minister of Barbados, has attributed a recent difficulty his administration faced in concluding credit agreements with the International Monetary Fund, the World Bank and the InterAmerican Development Bank to their wishes that the highest tariff be cut at once to 20 per cent.

The US objection to Caricom's tariff levels is uncompromising. Mr Myles Frechette, assistant US trade representative for Latin America and the Caribbean, has repeatedly criticised the community. "One of our concerns is that the highest tariff rate is 45 per cent," he said. "In Central and South America, the maximum is 20 per cent." The leaders at today's summit will worsen their problems if they attempt a compromise filled with derogations, satisfying neither regional nor external critics. Failure to find a solution will put the region's fragile economies at a disadvantage in a world moving to deregulated trade and trade blocs.

Ironically, the summit was called to discuss not the common tariff but a report by a commission headed by Sir Sridath Ramphal, former Commonwealth secretary-general, on ways to integrate community economies further. There will be little hope for further integration unless differences over tariff levels are resolved.

# EC accuses US of steel trade 'harassment'

By Francis Williams in Geneva

EUROPEAN Community and other steel exporters yesterday accused US steel producers of "trade harassment" in mounting a series of anti-dumping and anti-subsidy actions.

The 84 petitions by US producers, 38 of them directed against EC members, were filed a fortnight after talks on a multilateral steel accord collapsed at the end of March, the EC told a meeting of the General Agreement on Tariffs and Trade (Gatt) anti-dumping committee yesterday. The accord was intended to replace voluntary restraints on steel exports to the US market, which expired at the same time. The EC called on the US yesterday to abandon the actions.

The suits, involving 21 countries, had been filed though there had been no increase in steel exports to the US, and prices of EC steel were higher than those of US producers, the EC said. According to the EC Commission, about 2m tonnes of EC steel exports worth $800m (£490.7m) a year are affected by the US petitions.

In September, the US Commerce Department said preliminary countervailing and anti-dumping duties would be imposed on imports of certain steel bars from France, Germany and Britain, subject to a final decision in December.

The US was using its cumbersome anti-dumping procedures to harass foreign competitors, the EC said. It also questioned whether the methods being used to assess dumping - charging less for goods abroad than at home - were in line with Gatt's anti-dumping code. But under Gatt rules, the US action cannot be legally challenged until duties are definitively imposed.

The EC complaints were echoed by other steel exporters, including Japan, Brazil and Mexico. Austria, which exports only 700 tonnes of steel a year to the US, said it was being forced to spend huge sums on lawyers' fees to defend its position. Finland and Sweden said the cost of fighting the anti-dumping suits was likely to drive their exporters out of the US market.

# Brussels wants technical standards open to all

By Andrew Hill in Brussels

The European Commission has told the groups which set Europe's technical standards they must make those norms available to all users on fair, reasonable and non-discriminatory terms, or risk losing their privileged status.

The Commission's warning is contained in a paper published yesterday, which tries to reconcile the often contradictory requirements of efficient standardisation and intellectual property rights. The Commission believes the process of standardisation is essential to achievement of the single market. It has encouraged a number of European standards institutes to develop common European standards, giving priority to high-technology areas.

The paper says "all persons wishing to use European standards must be given access to these". If standards bodies discriminate against outsiders, eg, Japanese companies wanting to break into the EC market, recognition of the standard under EC law could be withdrawn, or the status of the institute "reviewed", the Commission adds.

# Action threat over Cuba trade bar

By Andrew Hill in Brussels

THE EC may consider retaliatory action against US attempts to reinforce its trade embargo on Cuba. President Bush approved the Cuban Democracy Act last weekend. The EC had warned the act might break international trade law. A Brussels spokesman said: "Mr Frans Andriessen [trade commissioner] regrets Mr Bush's decision."

EC officials were examining the legislation to see if retaliatory action was necessary, possibly under Gatt or OECD rules. The Commission is concerned the act would force US and Cuban trading partners to comply with US prohibitions on trade, even if they lie outside US jurisdiction.

# Aid 'fails to match ACP growth'

EC aid to the African, Caribbean and Pacific (ACP) trading group has failed to keep pace with its growing membership, Caribbean members meeting in Trinidad say, Canute James writes from Port of Spain. Community aid allocation to the ACP was 23 per cent higher under the present Lomé Convention than in the previous five-year treaty, while the population of the ACP's Caribbean group had grown 216 per cent.

The group will receive Ecu90m (£72m) under the fourth treaty, up Ecu17m from the EC's allocation under the previous convention. Its population rose from 6m to 19m with the recent admission of Haiti and the Dominican Republic.

## Canadian rejection of reform is unlikely to quell infighting, writes Bernard Simon

# Cue for political splintering

CANADA has tried no fewer than six times over the past 25 years to rewrite its constitution. Each attempt has ended in failure or has hurt feelings somewhere in the country.

It is thus not surprising that most politicians reacted to the resounding No vote to the latest package of reforms by asserting it would be a long time before they were willing to sit down again at a constitutional bargaining table. The Canadian people are suffering an equally acute case of "constitutional fatigue".

But the chances are slim the issues at the heart of Monday's referendum – namely Quebec's demands for more power, the western provinces' sense of alienation from the rest of the country, aboriginal self-government, and the abolition of non-tariff barriers between the 10 provinces – will disappear.

Instead, the players involved in each issue are likely to search in coming months for other ways to realise their goals. The result could be further fragmentation of the Canadian political process, as regional groupings and special interest groups turn up the volume on their demands.

The main battleground will almost certainly be Quebec. A jubilant Mr Jacques Parizeau, leader of the separatist Parti Quebecois, saw the 56 per cent vote against the Charlottetown reform package in the French-speaking province as a mandate for nationalists to step up the sovereignty drive.

"We can now determine our future without being frightened again," Mr Parizeau said on Monday night.

By contrast, Mr Robert Bourassa, Quebec's Liberal premier, is firmly in the federalist camp. "We cannot conceive that disintegration of the federation would be an advantage to Quebecois," he said. Mr Bourassa faces the tough job of convincing the electorate they have something to gain by remaining within Canada.

Voters in other parts of the country showed on Monday that Quebec cannot expect any special favours – such as the Charlottetown agreement's provision of a permanent 25 per cent share of House of Commons seats. Mr Bourassa must call an election within two years and, despite his heavy defeat in the referendum vote, it is by no means certain he will meet the same fate in an election.

Jacques Parizeau, Parti Quebecois leader, gestures to supporters on Monday night after Canadian voters rejected constitutional reform

The separatists have yet to translate the rejection of the Charlottetown agreement into enthusiasm for independence. Despite the referendum result, opinion polls show that support for a break-up of the country has actually flagged in recent months.

Canada's 700,000 aboriginal people, who would have been among the main beneficiaries of the Charlottetown deal, will also not take the referendum result lying down. The package promised them a right to self-government, enforceable by the courts after five years. Indian and Inuit leaders plan to press as hard as ever for greater autonomy for their communities.

Ripples from the referendum will certainly be felt in federal politics as the next general election, which must be held by November 1993, draws closer.

The Bloc Quebecois, the federal wing of the Parti Quebecois, is hoping the No vote in the referendum will translate into substantially higher representation in the House of Commons. Any gains by the wing would be at the expense of the ruling Progressive Conservatives, who currently hold a majority of Quebec seats.

The Conservatives also have much to lose from defections to the Alberta-based Reform party, which fought the Charlottetown Accord on the grounds that it offered too much to Quebec. Since its inception four years ago the Reform party has captured wide support in western Canada, with a populist platform rejecting official bilingualism and wanting a stronger voice for the west in Ottawa.

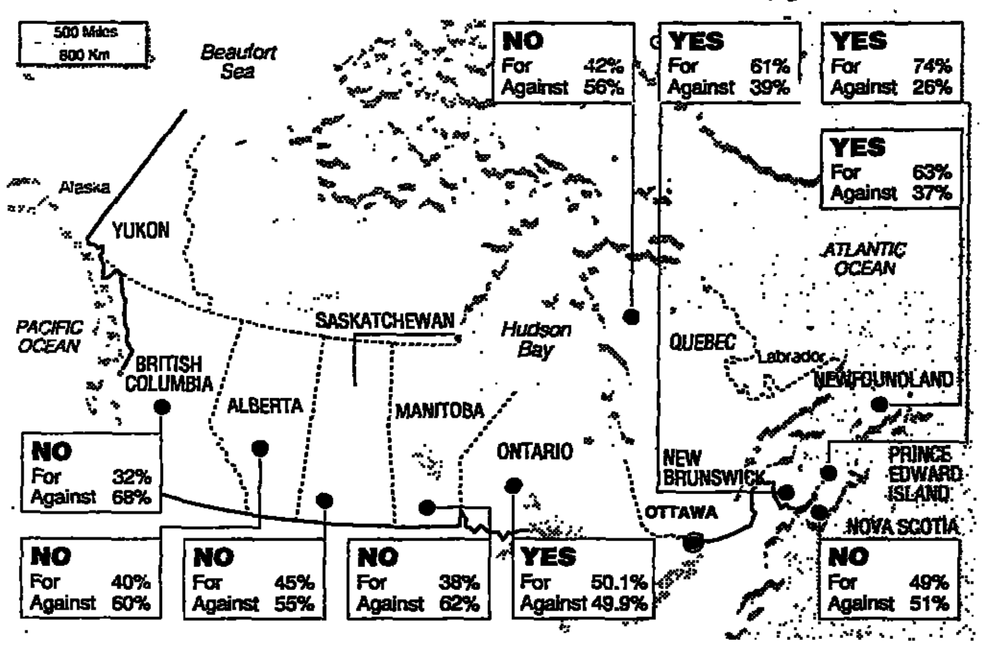
All three national parties – the Conservatives, the Liberals and the New Democrats – thus face the prospect of a more divided and fractious parliament after the next election. In the meantime the Conservatives, who have held office at the federal level since September 1984, have the most soul-searching to do in the months ahead.

In particular, Mr Brian Mulroney, Canada's prime minister, is expected to give careful consideration to his future. Canadians have developed an intense dislike for him, and his accomplishments – such as the dismantling of restrictive energy policies, the US-Canada free trade agreement and a sharp fall in the inflation rate – have done nothing to endear him to the electorate.

In some cases, such as free trade and low inflation, Canadians see his policies not as accomplishments but as a threat to living standards. One of the reasons why voters rejected the Charlottetown pact was that many of them identified it as Mr Mulroney's deal.

Unless the prime minister can reverse his poor public image, political observers expect him to come under growing pressure to fall on his sword for the sake of the Conservatives' chances in the next general election.

### Canadian constitutional reform: How they voted




# Dollar and bond rallies give lie to forecasts

By Bernard Simon in Toronto

THE flight of capital from Canada, which many economists and bankers predicted would follow a No vote in Monday's referendum, was nowhere to be seen yesterday.

Instead, the Canadian dollar rose strongly, bonds staged a spirited rally and banks cut their prime lending rate by half a percentage point to 7.75 per cent.

The chief economist at one Toronto securities firm said financial markets had not only discounted the outcome of the referendum through a surge of interest rates during the campaign, but did not view the negative vote as an inevitable boost for Quebec separatists.

"The market doesn't care about the Charlottetown deal; it only cares about Quebec separating," he said.

However, Mr Ravi Bulchandani, senior economist at Goldman Sachs in New York, cautioned that "a slightly higher risk premium on Canadian financial instruments is now probably a fact of life".

Bond market analysts expect this risk to be factored into the price of long-term bonds. While the spread between short-term US and Canadian interest rates narrowed sharply yesterday, the gap on 30-year bonds was virtually unchanged at 1.5 percentage points.

Interest rates are expected to drop further today at the weekly setting of the Bank of Canada's bellwether bank rate. The rate stood at 7.37 per cent last week, and could drop by a full percentage point today.

This would erase about half the increase which took place in September and October as the central bank raised interest rates to defend a weakening Canadian dollar. The Canadian dollar soared by almost half a cent yesterday morning to stand at 80.80 US cents at midday.

While a Yes vote might have led to an even bigger drop in interest rates, economists are confident that bearish political factors will be overshadowed over the next few months by Canada's bullish economic trends.

The inflation rate is running at just over 1 per cent, the lowest among industrial countries, and the economy remains mired in recession. One economist said yesterday the authorities were anxious to bring interest rates down as quickly as possible in the hope of boosting consumer demand during the Christmas season.

# Tough challenge for Quebec's separatist leaders

By Robert Gibbens in Montreal and agencies

QUEBEC'S separatist leaders were jubilant yesterday at the resounding No vote delivered in Monday's referendum, claiming the next referendum in the mostly French-speaking province would be on creating a new country.

Mr Jacques Parizeau, head of the separatist Parti Quebecois, said the only options were separation of the province from the rest of Canada or a massively revised federal arrangement.

"This time we said what we didn't want, the next time we will say what we want," Mr Parizeau told cheering crowds on Monday night. "Quebecois are a people, they are a nation, and very soon they will be a country."

Monday's vote will strengthen the party's hand, analysts say, but its leadership still faces a tremendous challenge in converting this to votes in the next provincial election, which must take place by 1994 although it could come earlier.

Mr Robert Bourassa, the province's Liberal prime minister, must now try to tailor his message to gain the support of those who voted to reject the constitutional package, which he supported. At a rally late on Monday, Mr Bourassa defended the idea of keeping Quebec in the confederation with the rest of Canada.

"We believe we will be able to build Quebec within Canada. That is the policy of the Liberal party," he said. "I am convinced we will continue to advance the cause of Quebec."

Mr Bourassa, who boycotted any negotiations with the federal government and the English-speaking provinces for about two years, put much of his popularity and support on the line by returning to the bargaining table.

However, rejection of the Charlottetown Accord does not mean most francophone Quebecois have abandoned hope for rejoining the Canadian federation. They clearly want a better deal and one that provides them with far more autonomy and more security as a French-speaking society.

Hard-core separatists in Quebec, the polls consistently show, represent not much more than 20 per cent of the population.

Voters this week were also expressing their dissatisfaction with the federal government's economic policies.

Quebec has a 12 per cent unemployment rate and Montreal, particularly, has been hard hit by industrial restructuring.

The province is 80 per cent French speaking and the No side prevailed in almost all the francophone ridings and in Montreal, which represents nearly half the total population of 6.5m.

Only the primarily English-speaking ridings in the western sector of Montreal delivered a majority for the Yes.

# Perot claims of electoral 'dirty tricks' backfire

THERE were signs yesterday that Mr Ross Perot's unsubstantiated charges of dirty tricks against President George Bush's presidential campaign were beginning to hurt him in the eyes of the US electorate, writes Jurek Martin in Washington.

The two latest public opinion polls, by ABC News and CNN/USA Today, restored a double digit lead, 11 points in both cases, to Governor Bill Clinton, the Democratic candidate. Both had Mr Perot at less than 20 per cent, while the head of Gallup said in an interview his surveys found that support for the independent candidate had peaked and that his "favourable" ratings has stopped going up.

Mr Bush yesterday described Mr Perot's charges that there was a Republican plot to disrupt his daughter's wedding as "crazy". He thought Mr Perot's self-financed campaign was, historically, "most unusual" and, generally, "a little bizarre". Throughout his swing through North Carolina on Monday, Mr Clinton confined himself to disparaging both his opponents for apparently investigating each other's children.

Media reports and commentaries have turned savagely critical of Mr Perot who, in turn, has been critical of the media. Both the New York Times and the Washington Post, in editorials, found it incredible he should now invent another reason for leaving the race in July. The Times referred to "traits that bear directly on his fitness for office," while the Post wondered about his "startling belief in secret manoeuvrings against him by malign forces worldwide".

The condemnation of the political columnists has been almost universal.

Mr David Broder of the Washington Post, who had reported favourably on Mr Perot's post-debate surge only last week, wrote yesterday that the candidate's behaviour was "odd and disturbing". Mr A. M. Rosenthal in the New York Times urged Mr Clinton and Mr Bush to stop treating Mr Perot with deference so that he did not continue to blight US political life.

If Mr Perot's popularity starts falling, the logical beneficiary is Mr Clinton, who has been hurt most by his rise. Amid the latest polling volatility, Mr Bush's support has remained flat, in the low 30s, while Mr Clinton's has dropped from the upper to the lower 40s.

In his TV interview yesterday, Mr Bush expressed confidence he would win next Tuesday because he felt he had earned the trust of the country, which Mr Clinton had not. Asked if he liked Mr Clinton, he smiled and said: "Yeah, and I think he likes me."

On the stump in New Mexico the president sought to lift the level of the campaign in a speech about the economic and philosophical differences between him and Mr Clinton. He described himself as a "conservative activist" and laid claim to some of the populist traits of both his opponents.

This was apparently the speech long promised for delivery by Mr James Baker, the hitherto invisible White House chief of staff who is now accompanying Mr Bush on his travels. It was deemed better for the president to voice it so as to avoid the implication that he is weak on economic issues.

Mr Clinton, while never misses a chance to condemn "trickle down economics", has also been pushing his vision of a participatory economic democracy. Throughout his North Carolina bus trip he sought to portray himself as a non-conventional Democrat whose message was: "We're going to empower people to take control of their own lives, then hold them accountable for doing so."

# European business backs Bush by narrow margin

By Our Foreign Staff

BUSINESS leaders in the EC have given President George Bush a narrow endorsement, with 40 per cent saying he would be better for European business than either of his rivals for the White House.

An opinion poll of more than 1,400 business leaders in seven Community countries put him five points ahead of Mr Bill Clinton. Mr Ross Perot was backed by only 1 per cent, although he did re-enter the race after interviewing had begun. The poll was conducted by Harris Research for the UPS Europe Business Monitor.

The preference for Mr Bush was strongest in the UK, with 69 per cent indicating that he was the candidate who would do business in Europe the most good, or anyway the least harm. Only 14 per cent of British businessmen preferred Mr Clinton while support for Mr Perot was invisible.

However, Mr Clinton was the favourite in four countries – France, Italy, Belgium and the Netherlands (the last two were accorded a smaller weighting in the poll). Germany backed the incumbent, by a 14-point margin. Respondents in Spain found nothing to choose between the two men.

# Argentina expects Hurd visit

MR Douglas Hurd, Britain's foreign secretary, is to visit Argentina early next year, his Argentine counterpart Mr Guido di Tella said yesterday, writes John Barham in Buenos Aires.

Mr Di Tella said no date had yet been agreed for the visit but he expected it would take place in January. It is seen as paving the way for a trip to Britain by President Carlos Menem.

Mr Menem had said last year that he wanted to visit Britain in 1992, the tenth anniversary of the Falklands conflict. However, Britain told him a visit would only be possible in 1993.

Preparations for Mr Menem's visit and bilateral issues – notably the Falkland islands – are likely to head the two ministers' agenda.

Argentina not only still claims the islands, but is trying to compete with the islanders over exploiting offshore resources, such as fisheries and hydrocarbons should oil or gas be found in commercial quantities.

Argentina believes good relations with Britain will also help improve its standing in the west. However, British officials fear that, despite generally sound relations between London and Buenos Aires, a visit by Mr Menem would add to Prime Minister John Major's political headaches. The government could face criticism from within Conservative ranks if it was seen to be making concessions over the Falklands.

# Cash crisis forces out mayor

THE mayor of Buenos Aires, a key political appointee, was forced from office on Monday evening by a deepening financial crisis that has left Argentina's capital virtually bankrupt, writes John Barham.

Mr Carlos Grosso, appointed by President Carlos Menem in 1989, had to leave after failing to impose order on the city's chaotic administration. His fate is a warning to other local government leaders seeking to restore financial order.

Although no precise figures are available, Buenos Aires appears to have a 1992 budget deficit of between $270m and $690m – equivalent to 11-29 per cent of the total budget.

Mr Saul Bouer, the new mayor, is one of Mr Menem's hard men. Formerly federal treasury secretary and public works secretary, his specialty is ruthless pruning of jobs.

He has already promised to increase property taxes in wealthy neighbourhoods and sack one in eight employees; conservative estimates say the city has 120,000 workers, equivalent to 4 per cent of its population.

Mr Grosso can point to some notable achievements. The city is cleaner than before and he has privatised collection of taxes and traffic fines. But he sealed his fate by announcing he would "temporarily" stop paying contractors and renegotiate unpaid bills. The contractors, especially Waste Management of the US which collects the city's rubbish, threatened to suspend services.

## Congressman claims loan guarantee documents shredded

# US officials 'destroyed Iraq papers'

By Alan Friedman in Washington

OFFICIALS of the Bush administration were accused yesterday of having spent the past weekend shredding documents pertaining to US government loan guarantees for Iraq.

Mr Henry Gonzalez, chairman of the House banking committee, who has been investigating US aid to Iraq, said in a press conference yesterday he was informed of the alleged shredding in a telephone call from "a senior career employee" at the Department of Agriculture.

Mr Gonzalez and other senior members of Congress yesterday also accused President George Bush of helping to arm Iraq before its August 1990 invasion of Kuwait and then trying to cover up US government involvement.

In a letter to Mr Edward Madigan, secretary of agriculture, Mr Gonzalez said he was told the alleged shredding encompassed all memos and records of telephone calls that would link government officials to decisions made about the extension of loans to Iraq that were backed by guarantees from the Commodity Credit Corporation (CCC), the export guarantee arm of the Agriculture Department. Mr Gonzalez urged Mr Madigan to investigate the allegations.

The Texan Democrat, who has been spearheading congressional investigations of the Banca Nazionale del Lavoro (BNL) scandal, said he was also concerned that some of the CCC documents supposedly shredded might have related to BNL. Nearly $1bn of the more than $5bn of unauthorised Iraqi loans made by BNL's Atlanta branch were backed by US government guarantees provided by the CCC.

Mr Gonzalez's claim was supported by aides to Senator Patrick Leahy, who chairs the Senate agriculture committee. The aides said they had received calls about the alleged shredding last Friday and one Senate staffer who went to the Agriculture Department found all of the shredding machines being brought to one room.

Senator Leahy wrote to the Agriculture Department yesterday asking that all Iraq-related documents be secured. The senator said yesterday the CCC loan guarantees for Iraq helped President Saddam Hussein to acquire nuclear technology and weapons of mass destruction rather than food.

Mr Gonzalez charged yesterday it was "quite clear that from day one it has been the policy of the highest levels of the Bush administration to mislead the Congress and, more importantly, the public into thinking that our government played no role in arming Iraq."

# El Salvador agreement breaks troops impasse

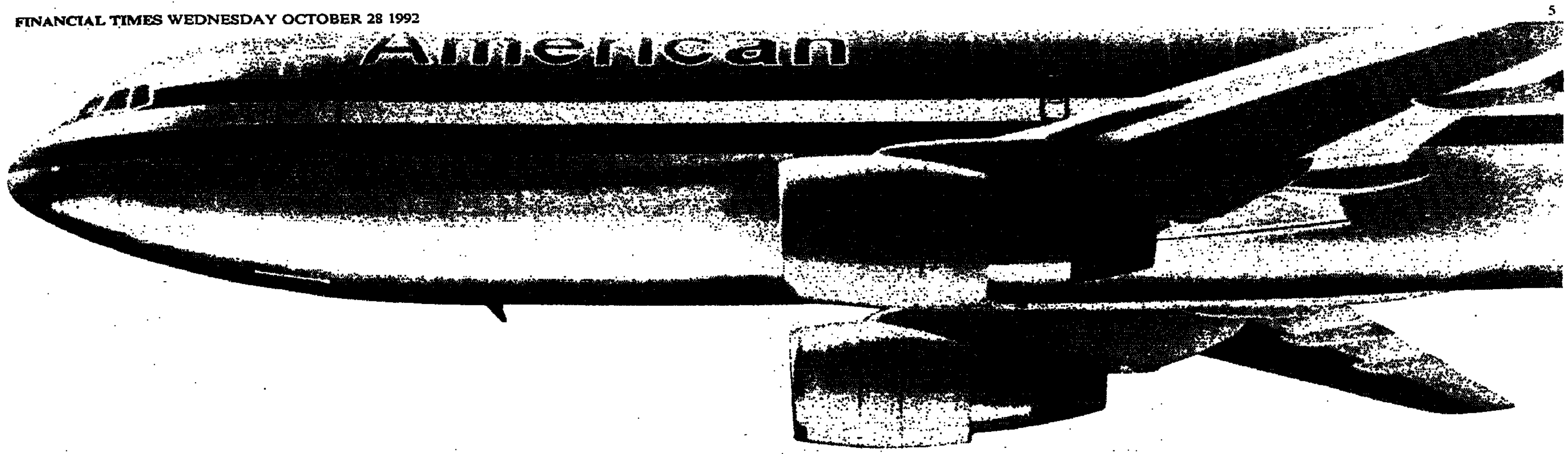
EL SALVADOR'S government has agreed to extend to December 15 the deadline by which the country's former rebels demobilise, thereby breaking the impasse that had threatened to scupper peace accords signed in Mexico City on January 15, writes Damian Fraser in Mexico City.

The FMLN rebels had originally agreed to demobilise by October 31, but missed two deadlines after claiming the government had not complied with pledges to give them land and reform the military.

Under the new guidelines, 20 per cent of the forces will be demobilised on October 31, another 20 per cent on November 20, and the final 20 per cent on December 15.

The government has in turn submitted to the UN proposals to purge army officers found guilty of, among other transgressions, human rights abuses. The list of transgressors is reported to be more far-reaching than many expected, and is said to include General René Emilio Ponce, the Minister of Defence, his deputy and more than 100 senior and middle-ranking officers.

Although some 40,000 civilians were killed in El Salvador's 12-year civil war, only one senior officer has been imprisoned for human rights abuses. The government's ability to purge the army is seen as a key test of whether the army can be brought under civilian control.

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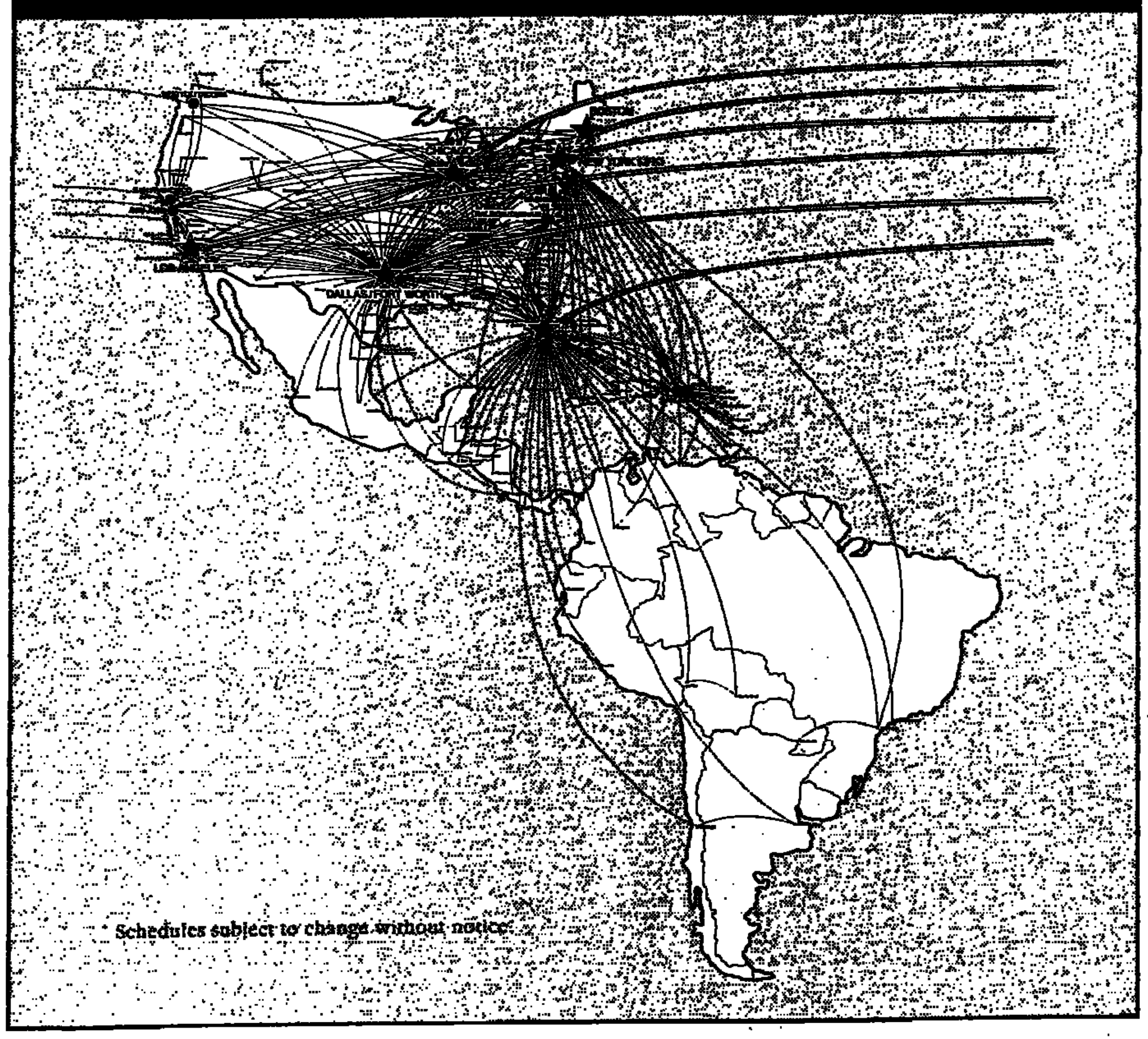


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# Beijing warns of HK slide into chaos

CHINA yesterday predicted that Hong Kong would slide into chaos if Governor Chris Patten refused to back down on his plans for democratic reform, Reuter reports from Hong Kong.

In a blistering attack published in a Beijing-controlled newspaper, China's top official responsible for the colony, Lu Ping, promised to fight Mr Patten to the end over his proposal to let Hong Kong people elect the majority of their legislature for the first time.

"Should Patten go on doing it his own way, there will certainly be big chaos in Hong Kong," the newspaper quoted Lu as saying.

"I can tell everybody that we are now determined to persist with Mr Patten till the end if that's what he wants," said Lu, who is director of the Hong Kong and Macau Affairs Office. "Now the ball is in Patten's court and the rules are the Basic Law."

Lu's attack is the latest in a media onslaught that began within minutes of Mr Patten announcing his proposals on October 7.

Most attacks were anonymous or attributed to relatively junior officials. But last Friday, shortly after Mr Patten left Beijing after his first visit as governor, Lu broke his silence by threatening to overturn the Legislative Council, the advisory cabinet and the judiciary once China takes control of the colony in 1997 if Mr Patten refused to back down.

The governor has denied encouraging social turmoil or political unrest. But in remarks clearly aimed at Lu, he said some people might be trying to do just that.

He has also consistently challenged China to put forward counter-proposals. But Lu said: "I waited more than half a month for Patten to come without saying a word about his political speech.

"But during the six-hour meeting, I talked most of the time and Patten didn't even say a word like 'we will consider it'."

# Israel sends more tanks to Lebanese border

By Lara Marlowe in Beirut

ISRAEL positioned more tanks and troops along its border with Lebanon yesterday in the third day of hostilities between Iranian-backed Hizbollah guerrillas and Israeli forces.

At least 14 people are believed to have died in the violence. On Monday night three Israeli gunboats bombarded the Palestinian refugee camp at Nahr El-Bared in Syrian-controlled northern Lebanon. Yesterday an Israeli warplane bombed suspected Hizbollah targets in the northern Bekaa Valley.

In the south, Hizbollah fired about 30 Katyusha rockets, some into northern Israel. It was the first time the fundamentalist guerrillas have targeted Israeli territory since the assassination by the Israelis of their leader, Sheikh Abbas Musawi, last February.

The rockets fired by Hizbollah killed a 14-year-old boy in the northern Israeli town of Kiryat Shmona and a Lebanese school teacher and his 18-month-old son in Rmaich, just north of Israel. United Nations soldiers yesterday turned back 150 Hizbollah guerrillas who were attempting to reach Israeli-held territory.

Onlookers survey wreckage of a building used by Moslem fundamentalists destroyed after an Israeli raid on the southern Lebanese town of Abra on Monday night

Security sources said at least eight Israeli Cobra helicopter gunships fired missiles into suspected Hizbollah hiding places in the 440 square mile "security zone" in southern Lebanon on Monday night. The Israeli artillery fired 700 rounds into southern Lebanon between Sunday afternoon and dawn yesterday, when the shelling subsided.

The escalation began when a remote-controlled bomb detonated by a Hizbollah guerrilla killed five Israeli soldiers on Sunday. A sixth Israeli soldier is believed to have died from his wounds.

Security sources said they had seen no sign of an Israeli armoured column with tanks moving into southern Lebanon, as reported by Israeli radio yesterday. Israel later issued an official denial that there was mass movement into Lebanon.

The Lebanese army – which usually refrains from involvement in Hizbollah-Israeli battles – has cancelled all leave and told its troops to rejoin their units. Lebanese troops fired artillery rounds towards Israeli positions that were shelling civilian areas near Nabatiyeh late on Monday.

# Slow pace of talks fuels Palestinians' frustration

## One year on, the negotiations leave a West Bank camp disillusioned and angry, writes **Hugh Carnegy**

IN DAHAISHE refugee camp, just south of Bethlehem in the occupied West Bank, there are strong feelings about the Middle East peace talks which last week entered their seventh session since opening in Madrid amid such fanfare one year ago.

Almost without exception, Dahaishe's 8,200 residents are contemptuous of the slow-moving process. "All of us in the camps – the poor people – are against the talks now," says 17-year-old Iyad Odeh, whose father Ibrahim was killed in front of his seven children by a stray Israeli bullet in 1988. "They will give us nothing."

A hunger strike by Palestinian prisoners which ended recently sparked a wave of violent unrest across the occupied territories of an intensity not seen since the early years of the five-year *intifada*, or uprising, against Israeli rule.

Karima Abeid, whose jailed husband Khalid was on the hunger strike, is another Dahaishe resident who has little time for the peace talks. "I don't believe the Israelis will give us peace. I think they are fooling us. Here in every house we have people whose lives were destroyed by the Israelis, so what do you expect?"

Opinions like these haunt members of the Palestinian delegation to the negotiations. A year after being feted in the streets after their return from Madrid, they are acutely aware that now there is widespread frustration in the West Bank and Gaza Strip because so little tangible progress has been made since.

Opposition in the territories to the talks has been led by two main movements. The most radical is the Islamic fundamentalists, the leading organisation of which is Hamas, the main Palestinian power base outside the secular Palestine Liberation Organisation. The second chiefly comprises two radical, left-wing PLO factions, the PFLP and the DFLP.

**President George Bush yesterday said he would telephone Mr Yitzhak Rabin, Israeli premier, to discuss the latest Middle East flare-up, but hoped the violence would not compromise the peace negotiations in Washington, writes George Graham in Washington. "I think they have now gone far enough that no incident will derail the talks," he said.**

**All sides in the peace talks said yesterday they would press ahead despite growing tension in Lebanon and the occupied territories. "We want to speed up the talks precisely in order to avoid this kind of violence," said an Arab delegate.**

Although there are great ideological tensions between the two, they are united by their rejection of the terms of the peace talks, which envisage an interim stage of limited Palestinian self-rule, or autonomy, before further negotiations start on the final status of the territories.

Fatah, the mainstream PLO faction led by Mr Yassir Arafat, has accepted the "two stage solution," believing it offers the only realistic, available prospect of an eventual independent Palestinian state in the West Bank and Gaza.

Mr Riad Malki, a leading advocate of the leftist opposition, believes the failure so far to reach an initial "autonomy" agreement, despite the advent earlier this year of a more dovish Israeli government, has enhanced the standing of the opposition camp. "We are optimistic that we will represent the majority of the people and exert pressure to prevent the delegation from signing an autonomy agreement."

The thrust of the opposition is that the five-year interim self-government phase is an Israeli ruse which will become the permanent status quo, thwarting the Palestinian struggle for full independence.

The weakness of this case lies in the absence of a coherent alternative. Even Mr Malki admits the Palestinians are in their "lowest position ever" in terms of bargaining power to demand immediate transition to statehood. They have no realistic military option against Israel. All key Arab states, including previously hostile Syria, are involved in or support the talks. There is no longer a counterweight to the US, which brokered the process, to support a tougher Palestinian line.

"The patience of our people is decreasing, that is very clear," says Mr Radwan Abu Ayyash, a prominent Fatah supporter. "The (terms of the) peace talks are not our preferred choice. But we have no other way."

He believes Palestinians will accept an agreement based on an initial period of limited self-rule – if the PLO leadership endorses it clearly as a step in the direction of statehood and if it comes soon, before support is eroded any further.

Even in Dahaishe camp, this is grudgingly acknowledged by some residents, including Karima Abeid. "If it is going to be a period which leads to a Palestinian state, then I will support it. I'm with the PLO. But at the end we must have a state and a full Israeli withdrawal."

# Amnesty condemns Burmese torture camps

By Alexander Nicoll, Asia Editor

RECENT steps by Burma's military government to release some prisoners, abolish military tribunals and lift a night-time curfew do not signify fundamental change in its disregard for human rights, according to a report by Amnesty International published today.

The human rights organisation says the State Law and Order Restoration Council (Slorc) has systematically and ruthlessly suppressed dissent since it assumed power in 1988.

It has held thousands of people either without trial or with unsatisfactory trials. In addition to widespread arbitrary executions, security forces have engaged in torture and rape. Amnesty says it knows of 20 "torture centres".

Tens of thousands have been forced to work as porters for the military, and many have suffered inhuman treatment. Thousands, particularly from ethnic minorities, have been driven from their homes and forced into camps.

The Slorc ignored the results of a general election in May 1990 which the opposition National League for Democracy, won by a landslide. Its leader, Aung San Suu Kyi, has been under house arrest since July 1989. She was awarded the Nobel Peace Prize last year.

Amnesty says government policy and military strategy have created a climate in which gross human rights violations are tolerated – perhaps even sanctioned.

The organisation calls on Burma to end the death sentence, release political prisoners or try them fairly, review convictions, investigate allegations of torture and punish its perpetrators, ratify international human rights protocols, and introduce human rights protection into its new constitution.

Amnesty urged the Burmese authorities to grant full access to the special rapporteur appointed by the United Nations Commission on Human Rights, who is due to report to the UN general assembly later this year.

*Myanmar: "No law at all": Human rights violations under military rule. Amnesty International.*



# ANC says Twickenham test match can go ahead

By Philip Gawith in Johannesburg

THE Twickenham rugby test match between South Africa and England on November 14 looks likely to go ahead despite the withdrawal of support for all rugby tours by the National and Olympic Sports Congress (NOSC), South Africa's most powerful sporting body.

Mr Steve Tshwete, African National Congress spokesman on sport, said the ANC had pledged its support for the match and would honour this pledge. He said, however, that future tours, and the 1995 rugby World Cup, which South Africa is supposed to host, were at risk.

This week's statement by Mr Mluleki George, president of NOSC, has refocused attention on the use of sporting boycotts as a political weapon following the gradual lifting over the past year of the sports moratorium.

Mr George was essentially repeating a point he made in April when he sought to have the August visit to South Africa by the New Zealand All Blacks cancelled: namely that the country's rugby authorities pay insufficient attention to developing the sport, preferring to focus on international tours.

**Gunmen shot dead a senior African National Congress official yesterday in a fresh blow to peace moves between South Africa's feuding political leaders, Reuter reports from Johannesburg.**

**The ANC angrily accused the rival Inkatha Freedom Party of orchestrating the ambush killing of ANC national executive committee member Reggie Hadebe in volatile Natal province.**

**"It is an absolute outrage what has happened. The ANC will leave no stone unturned to bring the murderers to book," said ANC spokesman Carl Niehaus.**

**Shortly before Mr Hadebe's killing ANC president Nelson Mandela said he was very worried by growing violence in Natal.**

Mr George's frustration relates to a perception that the South African Rugby Football Union (SARFU), and rugby supporters in general, have been less than enthusiastic in embracing the new South Africa. In stark contrast to the nimble diplomacy practised by leading cricket administrators, rugby authorities have made little effort to hide their distaste for the ANC's considerable sporting influence.

Tempting though it may be, however, to try to punish conservative whites by seeking rugby's isolation, this route is not without problems. Some question how Mr George can justify such a step when his grievance is more a matter of style than substance.

For although rugby probably deserves its reactionary image, it has met the two prerequisites set down for a return to international competition: unity of administrative structures, and a development programme. On the latter front, R6m (about £1.3m) has recently been paid into a development fund.

Since few blacks play rugby, few are likely to be concerned either way about Mr George's strictures. Whites are likely to have mixed feelings. Many will be resentful at the efforts to politically cleanse sport, though there would probably also be widespread support for the introduction of a younger, more progressive group of administrators to run the sport.

# EC, Asean seek to circumvent impasse on E Timor

By Alexander Nicoll, Asia Editor

FOREIGN ministers of the European Community and the Association of South-East Asian Nations meet this week without being able to make progress on a planned new co-operation agreement.

Negotiations on a new accord, to replace one signed in 1980, were halted earlier this year because of Portugal's opposition to Indonesia's human rights record in the former Portuguese colony of East Timor.

Friday's meeting in Manila, to be chaired by Britain as EC president, will attempt to circumvent the impasse temporarily by attaching new areas of co-operation to existing arrangements.

Mr Douglas Hurd, UK foreign secretary, will arrive in Manila on Friday but Mr Alastair Goodlad, foreign office minister responsible for the region, will stand in for him in earlier sessions.

The inability to proceed with a new accord, due to include provisions for resolving trade disputes and on European Investment Bank lending, is frustrating for both sides.

At the Manila meeting, the EC and Asean are expected to agree on an enhanced consultative mechanism under which trade experts will meet more frequently. Access of Asean members to EIB lending is also expected to be supported, though not to the extent which would be possible under a full new agreement.

Portugal and Indonesia are discussing their differences over East Timor, which was annexed by Indonesia in 1975, under the auspices of the United Nations secretary-general. Indonesian troops shot dead at least 50 civilian protestors in Dili, the territory's capital, last November.

# Japan's industrial production rises by 4.6% in September

By Robert Thomson in Tokyo

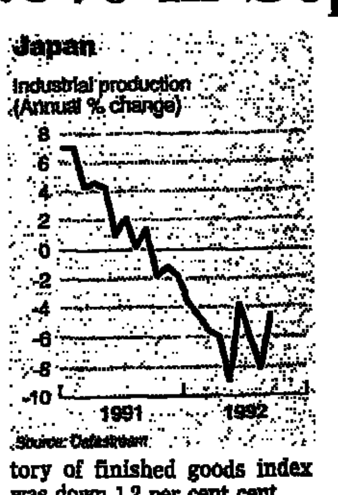
JAPAN'S industrial production rose 4.6 per cent in September, compared with a month earlier, but Mr Tsutomu Hata, the minister of finance, warned that an expected economic recovery would not be seen until at least early next year.

The increase in the seasonally adjusted industrial production index followed a 4.2 per cent fall in August.

The Ministry of International Trade and Industry (Miti) said that the increase last month suggested that the reduction of inventories was nearing completion.

However, Miti forecast that industrial production would fall by 2.4 per cent in October and a further 1 per cent in November.

The producers' shipment index rose 4.8 per cent in September, reflecting the production increase, while the inventory of finished goods index was down 1.2 per cent cent.




Mr Hata said that opposition parties had shown support for an emergency economic package announced in late August, and were not likely to delay the measures at a parliamentary session beginning this week. Japanese executives are concerned that the package will be derailed by debate on the scandals afflicting the ruling Liberal Democratic Party.

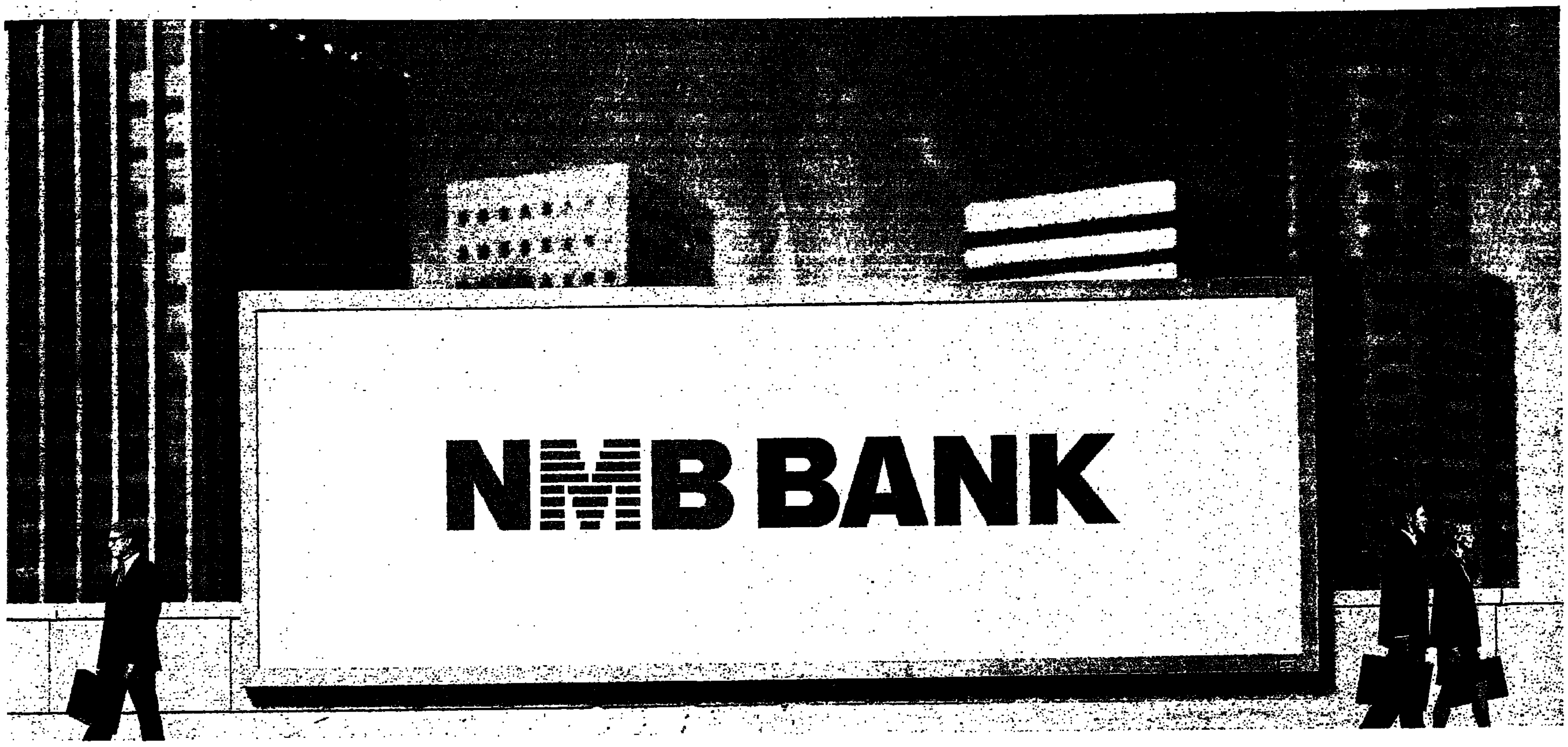
The minister said a decline in personal consumption had caused concern in the government, and Miti figures released yesterday for large retailer sales showed a 2.9 per cent fall in September, compared with a year earlier.

Miti said department store sales declined for the seventh consecutive month, while sales at supermakets were lower for the second month in a row.

Discussion of the trends in personal consumption also dominated a quarterly gathering of Bank of Japan regional managers, most of whom reported that local residents were buying cheaper goods and delaying large purchases.

The three-day meeting, which began yesterday, will be used as an important guide by the bank on the direction of monetary policy.

# Yesterday.

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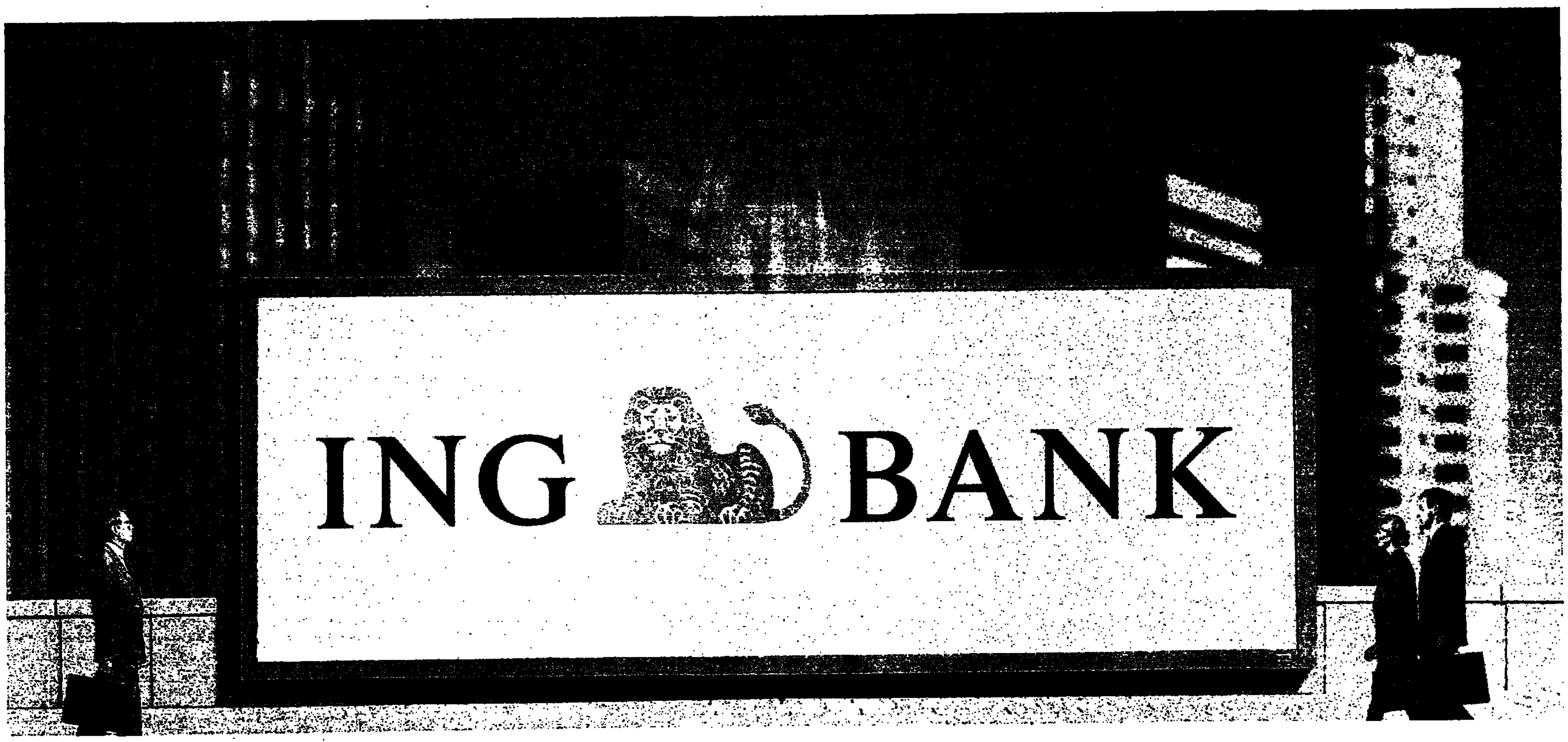


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# UN's Somalia envoy offers to quit in row

**By Michael Littlejohns, UN Correspondent in New York**

MR Mohammad Sahnoun, the United Nations special envoy for Somalia, has offered to resign after being reprimanded by Mr Boutros Boutros Ghali, the secretary-general.

Mr Sahnoun has been sharply critical of the UN's handling of the breakdown of law and order in Somalia and the subsequent famine, which is claiming an estimated 1,000 lives a day.

A highly regarded Algerian former ambassador to Washington and Paris, Mr Sahnoun enjoys the confidence of the Security Council, key members of which hoped to find a compromise satisfactory to the two men. He was under strong pressure last night from member states to carry on with his duties in a country that has posed multiple problems for the UN. Commenting on the resignation offer, Mr Jean-Bernard Merimee of France, current president of the Security Council, said it would be hard to find a UN official for Somalia who would be so effective. American diplomats said they hoped Mr Sahnoun could be persuaded to stay on.

In television interviews and other statements during a visit to New York last week Mr Sahnoun faulted the UN for sitting on its hands for months after the downfall of Mr Siad Barre, the former Somali leader, in January 1991. He went so far as to call for an international investigation of the tardy response and mishandling of the situation. Mr Sahnoun recently accompanied Irish President Mary Robinson on a tour of Somalia and the Kenyan border. Afterwards, she joined the critics, particularly faulting the UN refugee agency for failing to provide even basic facilities in camps in northern Kenya.

The secretary-general's break with Mr Sahnoun, who has returned to Mogadishu, apparently reflects bitter feelings in international relief agencies, which strongly resented the envoy's criticisms.

Ironically, Mr Boutros Ghali has also been strongly critical of the Security Council's role in the Somali crisis. Earlier this year he said its actions were too little and too late.

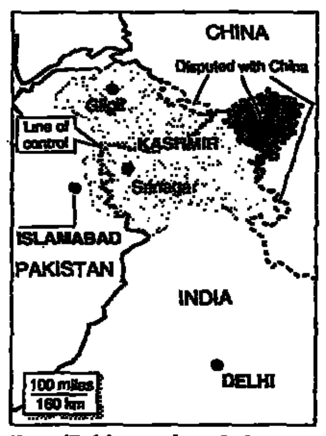
It is the secretary-general's first serious staff dispute since he took office in January.

*Mr Sohei Miyashita (left), head of the Japanese Defence Agency, is welcomed to Phnom Penh by the chief of the United Nations peacekeeping operation in Cambodia, Mr Yasushi Akashi of Japan. Mr Miyashita inspected Japan's first overseas deployment of troops since the Second World War*

# Himalayan obstacle to Indo-Pakistani ties

## Kashmir remains the main issue preventing good relations between two neighbours, writes **Shiraz Sidhva**

LAST WEEKEND, Kashmiri separatists again attempted to storm the border between India and Pakistan, the third such effort this year. The march, initiated by political parties in Pakistan-held Kashmir, was aborted when Pakistani troops opened fire on the marchers, reportedly injuring 28, and arrested their leader, Mr Amanullah Khan.




**Pakistan yesterday released more than 100 Kashmiri activists arrested while staging a banned march but expelled five leaders of the protest from the part of Kashmir which it rules, opposition sources said, Reuter reports from Islamabad.**

**Kashmiri political groups in Pakistan, meanwhile, held protests to mark the 45th anniversary of the entry of the Indian army into Kashmir at the start of the first India-Pakistan war over the disputed Himalayan region. More than 2,000 members of the right-wing Jamaat-i-Islami party held a protest march in Islamabad and burnt an effigy of the Indian prime minister, Mr P V Narasimha Rao.**

**More than 30 people were released on Monday and the rest yesterday, said a spokesman for the opposition Jammu and Kashmir Democratic Alliance, which organised the protest. The five men released included the Jammu and Kashmir Liberation Front leader, Mr Amanullah Khan, and Jammu and Kashmir Liberation League chief, Sultan Mahmood Chaudhry.**

Despite its failure, however, the attempt has caused a further setback to relations between the two countries, which had appeared to be improving after talks in August.

India accuses Pakistan of not doing enough to defuse tension on the border, though Pakistan claims it could do no more to deter marchers.

Both sides do agree that neither could allow Kashmiris to violate the Line of Actual Control, one of the world's most heavily guarded borders. India's defence minister, Mr Sharad Pawar, stated categorically that India would repulse any violation of its borders. Pakistan said before the march that "Pakistan shared the sentiments of the people who desire to cross", but at the same time was "aware of its responsibilities".

Kashmir has been the dominant issue preventing good relations between the two neighbours since the partition of the subcontinent in 1947. They have fought two wars over it, and the situation remains very tense.

Both sides face domestic pressures to hold on to their respective parts of the troubled Himalayan territory. Neither Delhi nor Islamabad is particularly concerned about apparently growing desire among disillusioned Kashmiris for an independent state.

India regards the 1972 Simla Agreement (an instrument of peace signed by the two after Pakistan lost a war on the Bangladesh issue in 1971) as the basis for further bilateral negotiations. Pakistan insists on interpreting the instrument of peace in the light of a United Nations resolution of 1948, providing for an internationally supervised plebiscite, through which Kashmiris could choose between India and Pakistan – there is no third option.

In August, talks at the level of foreign secretary – top civil servant – generated more optimism than any such exercise in the past. Yet the mutual suspicion built up over four decades has subsequently clouded the improvement in relations, raising doubts about whether any real progress could be made. The most significant outcome of the August talks was agreement to discuss the Kashmir issue, under the Simla Agreement, breaking a 26-year deadlock.

The initiative came from Pakistan, but both sides privately admitted they were responding to increasing international pressure, especially from the United States, which traditionally supported Pakistan in the cold war era but now has improving relations with New Delhi.

India, which has 400,000 troops in Kashmir to control the insurgency there, contends that Kashmir is a "domestic dispute". It demands that Pakistan stops supporting terrorism in the Kashmir valley, and India's northern state of Punjab. India also wants Pakistan to desist from internationalising the issue – there has been tremendous global pressure on India to improve its human rights record in Kashmir.

Mr Shaharyar Khan, Pakistani foreign secretary, on a recent visit to New Delhi, denied any "government-sponsored support" from Pakistan. "Terrorism is a problem we have to tackle jointly," he said.

In an atmosphere of deep mutual recrimination, Kashmir has virtually crowded out other bilateral issues.

However, there has been progress even since June this year, when an Indian diplomat was abducted, beaten and expelled from Pakistan and India responded by expelling two Pakistani diplomats.

The two countries have signed a code of conduct on the treatment of diplomatic personnel between the two countries. They have also agreed on a range of military confidence-building measures.

Both India and Pakistan would benefit greatly from a further improvement in relations.

Economic reform programmes initiated by both countries require a stable political climate, and cuts in defence expenditure would help increase the slow pace of economic growth. Trade between the two neighbours, which is virtually non-existent, would also augment both economies.

# Britain rejects Continental freight plan

By Richard Tomkins, Transport Correspondent

BRITISH Rail and the government have rejected the possibility that Britain's railways could be converted to take larger Continental freight trains following the opening of the Channel tunnel.

This means most Continental freight traffic will continue to enter Britain by road after the tunnel's opening, much of it transferring from rail on the French side of the Channel.

The decision will come as a blow to environmental lobbyists and others supporting moves to encourage a transfer of freight from road to rail.

The Department of Transport, however, says even a limited programme of converting Britain's main rail routes would cost £3bn-£4bn, and the country's railways will be unable to justify such an outlay after privatisation.

The government has reviewed the options for gauge conversion following an undertaking given to the Parliamentary select committee on transport earlier this year.

Although the width between the rails in Britain is the same as in most European railways, Continental freight wagons are mostly too wide and high to run on BR's tracks without crashing into platforms, bridges, or trains coming in the opposite direction.

When the Channel tunnel opens, BR's biggest market for cross-Channel freight traffic will be the 2m lorry trailers a year at present carried by ferry.

SNCF, the French national railway, is spending FFr1bn to upgrade its principal routes between now and 1997 so that its freight trains can carry lorry trailers.

Britain's loading gauge is too small to allow this. Instead, BR is hoping that UK-Continental freight carriers will use swap bodies – containers which can be lifted off the back of lorry trailers and transferred to rail wagons for the main part of their journeys.

More than 90 per cent of Continental swap bodies can be squeezed on to BR's tracks if special small-wheeled wagons are used.

The technology, however, requires expensive mechanical handling equipment wherever the road/rail transfer takes place, and the cost can only be justified for long-distance freight. The result is that most UK-Continental freight operators are likely to choose the cheapest option of using road transport in the UK, crossing the Channel by ferry or the Eurotunnel shuttle. If they switch to rail at all, most will wait till they can load their lorry trailers on to rail wagons in Calais.

The Department of Transport said it was neither commercially not practically feasible to upgrade UK freight lines to take such wagons. However, it said new lines such as the Channel tunnel rail link would be built to accommodate them.

# Heseltine 'lacked authority' to promote UK coal industry

By David Lascelles, Resources Editor

THE GOVERNMENT would be prepared to seek changes in the law if that could increase the market for coal in the UK, Mr Michael Heseltine, trade and industry secretary, said last night.

He told a select committee of backbench MPs that he had already tried to intervene in negotiations about the future of British Coal, threatened with the closure of 31 pits. But he had received legal advice that this would not be possible.

Last month, he said, he had considered getting British Coal, the electricity generators and distribution companies "into one room" to thrash out a new set of long-term coal supply contracts. But he was advised on September 7 that he did not have the legal authority to interfere in the now-privatised electricity industry.

"I don't have the power to make the electricity industry buy coal," he told the committee on trade and industry, which was holding the opening session of its inquiry into the future of the coal industry.

Mr Heseltine is also conducting his own review of coal, and will put forward a white paper early in the new year.

To persistent questioning about the validity of shutting mines, Mr Heseltine said he had considered several ways of softening the blow of the closures. One was to introduce a subsidy or special levy on electricity bills to help pay to keep pits open. "But that would have been unfair on the rest of British industry," he said. Another would have been to get British Coal to export more of its production. "But it can't meet the world price for coal," he said.

Mr Tim Eggar, energy minister, said the UK had no powers under either the General Agreement on Tariffs and Trade or EC rules to prevent imports of coal, which MPs feared would rise as a consequence of the pit closures.

Conservative and opposition MPs criticised Mr Heseltine for the abruptness of the decision to reduce the UK coal industry, and sought assurances that threatened pits would be kept open while the three-month inquiry went on.

Mr Heseltine said news of closures should not have come as a shock because they had been widely anticipated. But the actual timing of the announcement, on October 13, had been dictated by widespread leaks. Although details of the redundancy terms to be paid to miners had been agreed on October 2, the actual decision to announce the closures was only taken on October 11, two days before.

Lionel Barber in Strasbourg writes: Mr Arthur Scargill, president of the National Union of Mineworkers, yesterday called for an independent inquiry into the European Community's energy needs in a further effort to block the UK government's pit closure plan.

Speaking to the Socialist Group of the European Parliament, Mr Scargill urged the EC to back British miners in their struggle to save 31 pits and 30,000 mining jobs.

"If the European Community means anything, if it is to have any consideration for people in the Community, it should reverse this insane political and economic decision," he said.

Mr Scargill has already called for the withdrawal of the pit closure plan and the setting up of an independent inquiry covering the whole of the UK coal industry, rather than individual pits. His demand for a Europe-wide inquiry marked the first step to internationalise his campaign.

# UK beaches on trial

The European Court in Luxembourg yesterday began hearing evidence against the UK government for its alleged failure to comply with EC directives on environmental standards at three British beaches.

Government lawyers urged the court to drop the prosecution over environmental infringements at Blackpool (above), Southport and Formby. Britain wants rules on subsidiarity – where decisions are left to member states where possible – applied to the beaches in north-west England.

"The campaign for clean beaches would probably have been just as effective if the Community had opted for recommendations in combination with a system of awards for clean beaches, rather than having to commence dozens of infringement proceedings," a government official said. A ruling is not expected from the European Court judges for several months.

# UK schools fail to make the grade in Europe

By Andrew Adonis

THE British will be the waiters, porters, cleaners and lavatory attendants of Europe unless their schools improve, a leading independent school headmaster warned yesterday.

Speaking in Rouen, France, to the Independent Schools Association (ISA), Mr Peter Owen, its chairman, called for urgent reforms to stop Britain lagging further behind its Continental rivals in the single market.

"Who will be the manual workers of the coming decades? Unless we act positively, it will be the children passing through British schools now," he said, attacking Britain's "woefully inadequate" education for the vast mass of children which failed to stimulate them and give qualifications and training.

Mr Owen, head of Rushmoor School in Bedford, north of London, said British education was "in crisis" because of low staying-on rates post-16, poor vocational training, weakness at languages and high A-level failure rates.

In the single market, he said, if a British job vacancy was advertised across Europe as well as in local newspapers, at least half the applications would come from foreigners with fluent English and technical and managerial qualifications.

"The British applicants perhaps left school at 16, or at 18, with poor results. They have no other qualifications, but have picked up a little varied experience at the times when they have been in work. They probably speak and write English less well too," he added.

● Only a third of UK companies dealing with foreign tourists can cope fully with customers' language needs, according to a survey carried out for the British Tourist Authority and the Department of Employment.

Although more than 90 per cent of the companies responding to the survey said their staff came into contact with native speakers of other languages, 63 per cent relied to at least some extent on customers being able to speak English.

The authority said the survey, conducted by the Institute of Manpower Studies and published yesterday, may have presented too optimistic a picture.

The survey was distributed to 1,500 companies, 29.4 per cent of which responded. The authority said companies with a commitment to foreign language skills were more likely to have responded.

# Court told of concerns at exports to Iraq

By John Mason

THE Foreign Office at one point opposed granting export licences to Matrix Churchill, the machine tool makers, to sell equipment to Iraq because of concern about the Iraqi defence procurement programme and publicity given to the Banca Nazionale Del Lavoro (BNL) affair in the US, an London court heard yesterday.

Ministers from the Department of Trade and Industry, however, persuaded the Foreign Office to agree to the export of the machine tools by the Iraqi-owned company provided the DTI handled any publicity problems, the Old Bailey jury was told.

In his second day giving evidence, Mr Eric Beston, an assistant secretary at the DTI said that in mid 1989, the Foreign Office opposed granting the licences for three reasons:

● There was a lot of publicity about the Atlanta branch of BNL being a front for the Iraqi defence procurement programme.

● Iraq was also trying at the time to take over Learfan, a company involved in the production of composite materials for defence use.

● The Foreign Office also had conclusive evidence that previous shipments from Matrix Churchill had gone to factories involved in munitions production.

The DTI disagreed with the Foreign Office, saying the equipment to be exported was for general industrial use and that foreign companies would win the order otherwise, Mr Beston agreed under cross examination by Mr Geoffrey Robertson QC.

At a meeting, however, between trade ministers Mr Alan Clark and Lord Trefgarne and foreign office minister Mr William Waldegrave, it was agreed to grant the export licences provided the DTI handled "presentational problems".

Earlier, the court heard that US Senator Jesse Helms contacted the DTI and threatened to name Matrix Churchill in the Senate and accuse it of breaching UK export rules.

Mr Beston had warned him that if he did so, it would be followed by a sharp response from the British government.

Mr Paul Henderson, a former Matrix Churchill managing director, Mr Trevor Abraham, a former commercial director with the company and Mr Peter Allen, a former sales director, all deny breaching export regulations. The prosecution allege they deceived the DTI by pretending the equipment was for civilian, not military use. The trial continues.

# Danish group blames job cuts on airline deal

By Paul Betts, Aerospace Correspondent

THE TAKEOVER of Dan-Air by British Airways is having repercussions on employment in other parts of the aviation industry, in addition to the 1,600 Dan-Air jobs likely to be lost as part of the deal.

FLS Aerospace, the UK-based aircraft maintenance subsidiary of FLS Industries, the Danish industrial conglomerate, yesterday said it was being forced to shed about 700 jobs, about 27 per cent of its UK workforce, as a consequence of BA's acquisition of Dan-Air.

Davies & Newman, Dan-Air's parent company, sold the financially troubled airline's engineering division in January last year for about £26m to FLS. Under the deal, FLS was entrusted with the maintainance of Dan-Air's fleet.

Only six months ago, Dan-Air extended its fleet maintenance contract with FLS for an additional three years.

But FLS said BA's agreement last Friday to take over Dan-Air for a nominal £1 had now made this contract void. As BA had decided to switch the bulk of Dan-Air's fleet maintenance to its own engineering division, FLS said it would have to reduce staffing by about 700 over the next three weeks.

Although BA has just signed a five-year maintenance contract with FLS, involving mainly widebody jets, the company said the contract would only cover about 25 per cent of its original workload with Dan-Air.

BA also said it will keep only 12 of Dan-Air's fleet of 38 aircraft as part of its plans to establish a low-cost short-haul operation at Gatwick.

The BA rescue of Dan-Air is provoking increasing opposition from smaller UK airlines which claim that it will seriously undermine competition and the government's multi-airline industry policy.

British Midland Airways, Virgin Atlantic, Air UK and Britannia have joined forces against the deal calling for an investigation by the Monopolies and Mergers Commission.

The four airlines yesterday pressed their case to the Conservative parliamentary aviation committee.

# Underwriter forced to quit Lloyd's

By Richard Lapper

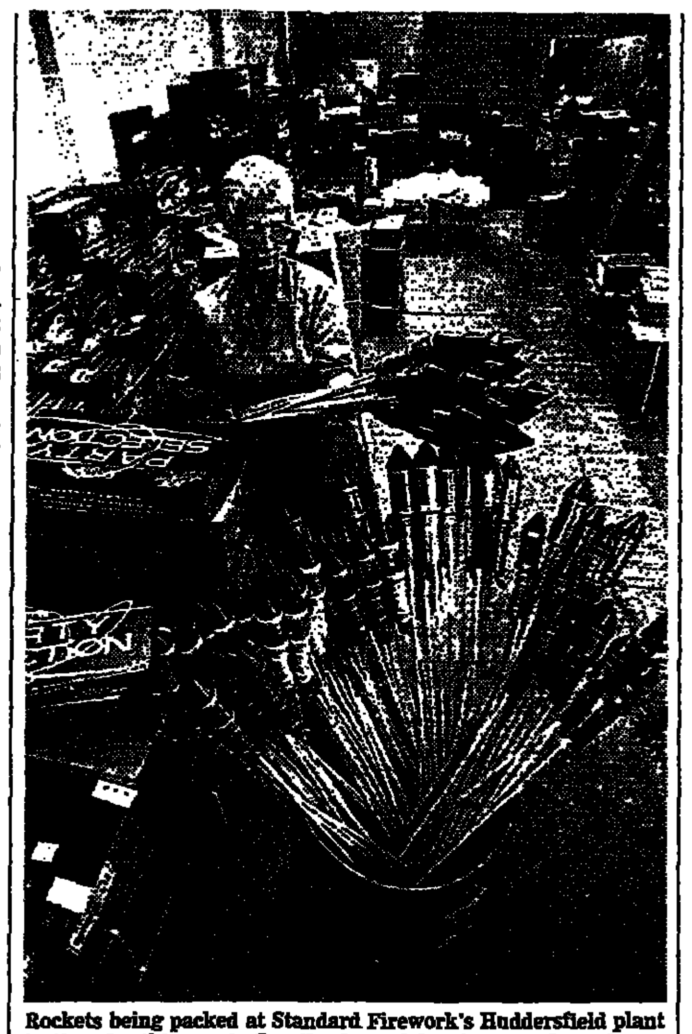
AN underwriter appointed by Lloyd's to investigate record losses at the insurance market has been forced to leave the market after misjudging his own syndicate's losses.

Mr David King resigned as underwriter of marine syndicate 745 earlier this month after the extent of his losses for 1990 became apparent.

On Monday he gave up his position on a three member Lloyd's "loss review" team investigating the losses in 1988 and 1989 of Rose Thomson Young syndicate 255. The team is one of seven set up by Lloyd's to look into the reasons for recent losses. Overall these amounted to £510m in 1988 and £2.06bn in 1989.

Mr King, in his early 60s, has had 45 years experience at Lloyd's and was widely regarded as a successful underwriter. In 1990 more than 20 per cent of the syndicate's 1,743 Names – the individuals whose assets support underwriting at Lloyd's – worked with agents or brokers at the market, a much higher proportion than average, indicating that Mr King was widely respected among his peers.

His syndicate, managed by KPH Underwriting Agencies, was a market leader in the reinsurance market.



Rockets being packed at Standard Firework's Huddersfield plant in time for this year's Guy Fawkes celebrations on November 5. On that date in 1605, Roman Catholics – who hoped to win religious tolerance – failed to assassinate King James I by exploding barrels of gunpowder in the vaults of parliament. One of the conspirators was Guy Fawkes and the anniversary of the 'gunpowder plot' is still celebrated in Britain with fireworks and bonfires on which effigies of Fawkes, or 'guys', are burnt

# Party managers set to whip Tories into line

By Ralph Atkins

THE British government's counter-offensive against Tory Euro-sceptics was underway last night, orchestrated by party managers – known as whips – who are trained in persuasion techniques ranging from the subtle manly to the blunt and unforgiving.

Mr John Major will take the rare step of addressing the leading group of backbench MPs – the 1922 committee tomorrow – and he also met some MPs in his Commons office yesterday in a bid to minimise the revolt against his pro-European legislation.

Behind the scenes, the 14 government whips have begun to calculate the possible outcomes when the House of Commons debates Maastricht next week.

So far, it is mostly a listening exercise – in contrast with the tactics of the Euro-rebels who have already begun to flood backbenchers' meetings and press colleagues to take sides.

Cabinet ministers meet tomorrow morning, before Mr Major addresses backbenchers, to agree the thrust of next week's motion. They will will want a report from Mr Richard Ryder, the leading party manager known as chief whip, on the likely extent of opposition.

But attempts to head off a defeat are likely to escalate dramatically as the vote approaches. There will be fewer offers of carrots, more use of the stick. Mr Douglas Hurd, foreign secretary, is abroad until the weekend but could join government attempts to quell the revolt over the weekend.

Whips, by tradition, pride themselves in knowing what the result of a vote will be and, if defeat looks certain, in trying to ensure the government swerves to minimise damage. Last week's climbdown over coal pit closures, albeit ungraceful and hurried, is becoming a textbook example.

Mr Ryder, working from an office off the members' lobby and rarely seen in public except occasionally in television shots wearing his raincoat and carrying an old leather briefcase, has a range of weapons to use.

For younger MPs there will be grave warnings about future ministerial career prospects. For others there will be appeal to loyalty, reminders of past favours or hints about positions on the Commons select committee's – though many Euro-sceptics have already lost theirs.

One option considered by Mr Major but still looking unlikely would be a television address, to appeal over MPs heads to constituents. That might give the impression of panic. A series of television interviews, which can be arranged with only a few hours notice, is an alternative.

Whips' techniques vary. Some are civilised, politely inquiry into an MPs intentions. Mr Ryder is amiable but firm. Mr David Lightbown, the large-framed assistant whip, sometimes intimates waverers with his gruff voice and burly presence.

Each whip oversees a group of MPs, acting as a conduit for the passing on of views and voting intentions. Different MPs require different techniques. "If you talk to a school teacher about how they treat their children, you will see that they don't use the same method on each of them," explained one.

# UK isolated over HDTV proposals

By Michiyo Nakamoto

A CONSORTIUM including Dixons, the electrical retailer, Sony, the consumer electronics manufacturer, and BSkyB, the satellite broadcaster, has put forward a proposal for subsidies to broadcasters developing HDTV programmes, which would be significantly lower than the Ecu850m put forward by the European Commission but strongly opposed by the UK.

The move by the UK consortium comes as the European Community has faced a deadlock over a plan put together by the Commission to subsidise the transition from conventional television broadcasting to HDTV broadcasting and stimulate the market for HDTV.

Member countries have so far not been able to agree on the Commission's proposal to extend subsidies of Ecu850m to broadcaster.

The UK, in particular, has been strongly opposed to the plan and at a meeting of the EC Telecommunications Council in June Mr Edward Leigh, the technology minister, said the plan was "totally unacceptable".

"We will oppose any expenditure until we see ... a convincing business case [for a subsidy]," Mr Leigh said.

That business case was put forward in a report prepared for the Commission and appears to have been on the whole favourably received by member countries.

The Commission is optimistic that most members are moving closer to finalising most aspects of the plan, apart from the most contentious issue of the level of the proposed subsidy.

A meeting of European telecommunications ministers in Brussels next month will focus on the level of subsidy. The UK, however, is still basically opposed to any subsidy and appears increasingly to be in the minority on this issue, in spite of its presidency of the Community.

"We are working on coming up with a response to the Commission's study," a spokesman for the Department of Trade and Industry said.

## Britain in brief

### Britain may cut spending on OECD

Britain is considering cutting its contributions to the Organisation for Economic Co-operation and Development in a move which could lead to a sharp reduction in the organisation's assessment of member countries' economic performances.

The UK, which contributes just over 6 per cent of the OECD's budget, is seeking support from the other 23 members. If the move is successful, the budget allotted to the OECD's core economic activities, including annual surveys of member countries and twice-yearly economic forecasts, could be reduced. The proposal comes at a time of UK Treasury sensitivity about independent assessments of the British economy, still struggling to emerge from its longest recession for 50 years.

### New loans for pensioners

The government has announced measures, including a £100m interest free loan to pension schemes, to aid pensioners defrauded by the late Mr Robert Maxwell.

So far, a voluntary trust set up by the government to solicit donations from the individuals and companies who had dealings with Mr Maxwell has collected just under £6m, far short of the missing £440m.

### Bid to save Rosyth yard

An industrial consortium led by the Babcock International engineering group is offering to underwrite a £267m project to complete work on new submarine docks at Rosyth in Scotland, in an effort to save the dockyard.

The guarantee by Babcock, Wimpey Construction and NNC, a subsidiary of General Electric Company of the UK, means that they would carry responsibility for any cost overruns

Babcock International has a 65 per cent interest, alongside Thorn EMI, in the company which has been operating the state-owned Rosyth Royal Dockyard since 1987.

### Pay bodies under threat

The first signal has emerged that the government is considering over-riding the pay review bodies, which recommend pay rises for nearly one-third of public sector workers.

The Department of Health postponed a meeting at which Dr Brian Mawhinney, minister of state for health was to present oral evidence to the pay review body covering about 600,000 nurses and midwives. The department said another meeting would be scheduled after the autumn statement on November 12. It said the ministers and officials would then be able to give their evidence in a "full and up-to-date economic context".

### Staff in abuse case criticised

Social workers who removed nine children from their homes in dawn raids during a sex abuse investigation in the Orkneys acted too soon and without taking time to think, a judicial inquiry has found.

Lord Clyde, the judge who headed the inquiry, said the social workers failed to consider any other action and they and police should have made further inquiries.

He made 194 recommendations, many of them likely to lead to substantial changes in Scottish legislation.

### BP contract

Wood Group, the Aberdeen-based engineering company, has won a BP contract from BP worth £30m a year to provide integrated engineering services for three North Sea production platforms. The contract for the Magnus, Thistle and Miller platforms will run from the end of 1992 for five years.

**Victoria Griffith** describes how the environmental paths taken by Vermont and New Hampshire in the 1980s have affected the business climate there today

# A tale of two states

This autumn, thousands of tourists from around the world will flock to see the changing leaves in the New England states of Vermont and New Hampshire.

In Vermont they will be treated to bucolic scenes of cows grazing on mountainside pastures, small country towns and forest preserves.

In New Hampshire they will see similar scenes, but they may have to drive through miles of land dotted with office developments and condominiums to get there.

Twenty years ago, the New England states of Vermont and New Hampshire were so much alike that they were often referred to as "twin states". The twins were heavily agricultural, preserving a rural way of life despite their proximity to Boston.

During the 1980s, though, these states followed such different environmental paths that they could be case studies for measuring the impact of environmental changes on business.

New Hampshire thrived, thumbing its nose at its poorer neighbours. The state's low tax levels and non-interventionist policies served as a magnet for scores of high-technology businesses. With an unemployment rate well below the national average, it was the economic envy of the country.

As the US moved into recession, though, it became clear that New Hampshire would have to pay a price for indiscriminate development. The computer industry ran into crisis and many companies closed their doors.

Bank failure plagued the state, as speculative loans to cover the expansion of the computer industry and new housing developments were never paid back. Unemployment soared and thousands of jobs flowed out of the state.

The scars of development proved more difficult to erase than the jobs, though. New condominium and industrial projects had eradicated many of the state's farmlands – the very scenery tourists came to New Hampshire to see.

The economic picture in Vermont, while not exactly upbeat, is better than that of its eastern neighbour. At 6.5 per cent in August, unemployment is far lower than the national average. The state did not experience the heavy outflow of jobs that plagued the rest of the northeast, and it was the only New England state to escape a major banking crisis.

Vermont residents attribute much of this economic success to the state's heavy-handed environmental policies. Vermont has some of the strictest environmental controls in the world, regulating not only air and water contamination, but visual pollution as well.

Billboards, or even large signs outside stores, are strictly forbidden. Recognising the strong connection between the presence of agriculture and tourist levels, the state has instituted a complex system for the protection of farmlands.

Milk prices are supported within the state to aid dairy farmers. And the state offers property tax subsidies to farm and timberland owners through what has been dubbed the "current use" law, which has helped preserve forests and open space.

Perhaps most important, Vermont's Regulation 250 allows the government to veto any large development scheme that may have a negative impact on traffic levels, pollution levels or quality of life. Although many believe the protective zeal is sometimes exaggerated, most Vermont businessmen support the state's environmental laws.

"The banking community in this state feels that [Regulation] 250 provided a moderating influence on excessive growth in the 1980s and was a major factor in preventing bank failures in Vermont," said John Ewing, president of the Bank of Vermont. "Without environmental controls, we might have had the same sort of banking crisis that hit the other New England states."

Many people in the business community feel that concern for the environment has also helped create a marketing image that has served the state well. "Vermont still has an aura that helps us sell products," said William Davis, president of Cabot Creamery, a cheese and dairy product manufacturer.

"Food products, especially, are enhanced by the Vermont image because people believe the ingredients will be free from contamination and made in an old-fashioned way," said Maxine Brandenburg, head of the Vermont Business Roundtable, a government and business coalition which offers advice on environmental policies.

Even companies which cannot benefit directly from Vermont's marketing image may be attracted to the state for its strong environmental reputation. A recent study by the Vermont Business Roundtable found that quality of life was cited most frequently by the business community as the main reason for locating their company in Vermont.

"Environmental regulations translate into quality of life, and that's one of the main reasons we moved here," said Robert McKinney, vice president of KBA, a printing machine distributor.

KBA just relocated to Vermont from Long Island, taking more than half its employees with it. "We were surprised at how many of our employees decided to make the move. I guess we're all after a good quality of life," says McKinney.

Most important to its economic well-being, perhaps, has been Vermont's success in the tourism business. Vermont pulled in nearly $1bn (£600m) in tourist dollars in 1990, making tourism the second biggest money-earner in the state.

According to US Travel Data, a non-profit research group based in Washington DC, Vermont now attracts nearly 50 per cent more in per capita tourist revenues than New Hampshire. That is despite the fact that New Hampshire has a coast line, higher mountains, and is closer to Boston.

The Vermont/New Hampshire comparison is not a clear-cut study. New Hampshire is not an environmental pariah. For one thing, it boasts one of the best wetlands protection schemes in the country. And some Vermont residents feel the environmental zeal in the state at times takes things too far.

Still, experiences in these states show that environmental decisions – not just clean air and water, but more subtle environmental controls on visual pollution – can have a profound impact on business.

In the wake of the crisis, some members of the business community in New Hampshire admit that lack of attention to the environment may have exacerbated the state's problems. "We have to be careful, because if we destroy our environmental beauty we can't get it back," said Jerry Little, president of the New Hampshire Bankers Association.

"The environment is one of this state's biggest assets, and if we lose it, we will lose one of the main reasons businesses like to operate from here," he says.

The picturesque villages of New Hampshire and Vermont belie the states' contrasting environmental policies

## Growth through green economics

A new study by Massachusetts Institute of Technology professor Stephen Meyer has challenged the widely held belief that environmental controls hinder economic growth, arguing that environmental efforts can boost output, job growth and productivity.

Meyer's study, which he claims is the first empirical test of the impact of environmentalism on the economy, analysed the impact of individual US states' environmental policies on their economic performance. He believes controls may motivate companies to become more efficient, and that product innovation necessitated by the controls can improve productivity.

Meyer arrived at his conclusions by testing the relationship between environmental rank (how the state's ecological efforts compared with that of other states) and economic growth during the periods 1973-80 and 1982-89.

The results held, he claims, even when time ranges were varied and when the analysis was restricted to the 25 states with the smallest economies.

"For those which continue to argue that environmentalism hurts economic growth and prosperity, the burden of proof now falls on their shoulders," he concludes.



# Insurers offer new pollution protection

**By Richard Lapper**

The launch last week of a new environmental insurance policy, which pays out when regulators order companies to clean up, signals that the UK insurance sector is beginning to respond to industry's growing concerns about the cost of pollution.

The new policy by two US companies – ECS Underwriting and National Reliance – requires policyholders to carry out environmental surveys and makes coverage dependent on the adoption of rigorous controls to reduce the likelihood of pollution.

It remains to be seen, however, whether industry will respond any more enthusiastically to these products than to similar – but more restrictive – policies pioneered by a handful of UK companies. A raft of new national and European legislation is redefining the pollution liabilities of industry and its financial backers.

Under legislation introduced in the past couple of years both the National Rivers Authority and local authorities have acquired considerable powers to order companies operating polluted sites to finance clean-ups.

If site operators go into liquidation, their bankers or receivers could be asked to meet the costs. In addition, the introduction of a register of contaminated land is expected to increase the scope for litigation.

The values of properties built on contaminated sites will probably fall. Site operators or owners, including thousands of householders, could face the extra costs of cleaning up contamination.

Recently, for example, 671 householders at Armley, a suburb of Leeds, were presented by Leeds City Council with a £5m bill to clean up asbestos dust from their properties. The pollution occurred as a result of emissions from an asbestos factory situated in the area over a 30-year period until its closure in 1958.

Potential European legislation, influenced by the legal concepts of strict liability (liability without proof of fault), is reinforcing this trend.

A survey by the Sedgwick Group, insurance brokers and consultants, found that environmental concerns were top of the list of worries for risk and insurance managers of UK companies. More than 80 per cent of the boards of 100 British companies were more worried by pollution than any other risk.

Yet the conventional insurance market has been of limited help. Traditionally, UK public liability insurance has provided industry with coverage where it is found liable for pollution damage to third parties.

But in April 1991, British insurers restricted the scope of coverage to "a sudden, identifiable, unintended and unexpected incident which takes place in its entirety at specific time and place during the period of insurance".

The ECS policy – along with similar coverage offered by the Chemical Industries Association, American International Group and Zurich Insurance – helps plug the gap. Known collectively as "environmental impairment" or EIL policies, they cover against the risk that gradual or accidental pollution will cause damage to third parties. The ECS policy is more innovative in that it pays for the cost of cleaning up a contaminated site if action is ordered by regulators.

All EIL policies are dependent, however, on the environmental surveys carried out at the policyholders' expense and rigorous controls of risk. The ECS policy is strictly underwritten to cover specific sites and coverage is on a "claims made" basis, which means that in general claims must be made within the policy period, for example. At a time of recession the expense could prove off-putting. The survey alone – which provides no guarantee that insurance will be offered – could cost at least £10,000.

Francis de Zulueta, chairman of a London insurance market group on environmental liability and financial institutions, says he believes it will be two years before the market takes off, with the recession and the limited character of cover depressing interest.

# PEOPLE

## The revolving door at Lucas and TI

Tony Edwards was yesterday confirmed as the new chief executive of TI Group's Dowty division, the rival aerospace business to Lucas Industries, where, as recently as August, he was due to take over as chief executive.

The move represents not only an extremely rapid change of heart by Sir Anthony Gill, chairman and chief executive of Lucas, and his board which decided in August that Edwards had not established himself as a successor. It is also demonstrates fleet of foot by TI. After taking over Dowty in June, TI placed Sid Taylor, formerly managing director of operations, in a temporary role at Dowty.

He was to introduce TI culture and financial reporting systems into Dowty and to begin a strategic review of the division's development in the aerospace area. His position had always been planned to be temporary but a permanent chief executive with detailed knowledge of the aerospace industry had not been expected on board as quickly as Edwards is now due to arrive.

TI woke up to the opportunity earlier this month. Following Sir Anthony's confirmation during the presentation of Lucas's interim results that Edwards would not take over, TI pounced via a headhunter.

Edwards arrives at TI after two years at Lucas and experience at Bombardier of Canada and General Electric in the US.

From November 16 he will take over the role of deciding the strategic development of the Dowty aerospace division.

Meanwhile Taylor will move back to head office where he will keep TI's three operating divisions – seals, pipes and aerospace – in touch with the latest world developments in manufacturing practice and research relevant to its manufacturing areas being conducted outside the group.

TI has now appointed chief executives in all three divisions: all report to Christopher Lewinton, chief executive and chairman, who in turn is expected to relinquish the chief executive position once the Dowty acquisition is more fully integrated.

■ Le Riches Stores, which is the biggest retailer in the Channel Islands with 24 supermarkets, has appointed Martin Braisford as its new managing director and chief executive.

Braisford, 44, was one of the driving forces behind the management buy-out of Premier Brands from Cadbury Schweppes in 1986, becoming its chairman and managing director in 1989. Le Riches operates a diversity of retail formats in the Channel Islands including a Marks and Spencer franchise and Stampers convenience stores.

## New treasurer for WPP

Martin Sorrell's marketing services group, WPP, will soon get a new treasurer, Paul Richardson, currently deputy treasurer with Hanson.

Richardson is due to take over from Derek Hawkins in early January next year, though Hawkins is likely to continue to be associated with WPP in a consultancy capacity.

WPP has seen a trail of treasurers since 1990, including Simeon Galpert, then Chris Coles, before Hawkins took over early this year.

Richardson, 34, graduated from the University of East Anglia in 1979, with a degree in economics and computing. He travelled and worked in Spain for a year before joining (as it then was) Thomson McLintock, where he trained as a chartered accountant. He joined Hanson in March 1984.

Richardson says he looks forward to his new post as a "great opportunity, now that WPP has turned the corner after its refinancing agreement with the banks".

## Constructive careers

■ Peter Youlton has been appointed md and Richard Hunter sales director of Blackwood Hodge UK, part of the BM Group. Anthony Parker has been appointed md of Benford, also part of BM.

■ David Spooner has been appointed regional director for the north London area of BUXTON Building Contractors; he moves from Willmott Dixon.

■ Alan Williams, formerly investment property director of Peel Holdings, has been appointed director of the investment property subsidiaries of ST MODWEN PROPERTIES.

■ John Gaskell, formerly md of Kennedy & Donkin Power, has been appointed md of KENNEDY & DONKIN; he succeeds Iain Douglas and is succeeded by Bill Ritchie. Robb Busby and Bill Wyley have been appointed chairman and md respectively of Kennedy & Donkin Transportation.

■ Michael Wilson, formerly md of Birse Construction's Northern region, has been appointed chief executive of BIRSE CONSTRUCTION Ltd.

■ Tony Faulkner (below) has been promoted from assistant md to md of SUN LIFE PROPERTIES.

## Church elected to NEC

Judith Church, national health and safety officer for MSF, the technical and professional union, has been elected to Labour's National Executive Committee. She is the first woman to hold one of the 12 seats reserved for trade union representatives, rather than one of the five seats reserved for women.

After graduating from Leeds University in maths and philosophy, she did voluntary work in Africa for two years. Returning to the UK, she spent brief spells in both the chemical and food processing industry before, in 1981, taking up a post as a factory inspector with the Health and Safety Executive. During one such inspection, in a concrete manufacturing plant, she recalls making her mark permanently by stepping confidently into a trough of unset concrete.

In 1986, she left the HSE and went to work for ASTMS, the white-collar union which subsequently merged with TASS, the technical union, to form the 600,000 strong MSF.

She stood as the Labour candidate for Stevenage in the April general election, but failed to win the seat.

# BHS transformed

## John Thornhill charts the retailer's fortunes as the sale of Habitat and Richards puts it centre stage

Retailing often resembles a pendulum; big store chains rarely go bust they just swing into, out of, and back into fashion – much like the goods they sell. Such has been the fate of BhS, the clothing and homeware retailer, once known as British Homes Stores, which has thrived and dived and seems set to thrive again as it re-emerges in clearer light this week from the shadows of the Storehouse conglomerate.

Throughout the 1970s, British Home Stores was one of the strongest retailers on the high street, retaining a fine reputation in the City. Fund managers investing in the stores sector were faced with a simple choice of buying shares in either British Home Stores or Marks and Spencer.

But in the 1980s the fortunes of the two companies drastically diverged. Crudely put, M and S prospered as a result of the excellent execution of a simple strategy; British Home Stores struggled through the faulty application of a bad one. M and S now makes as much profit as BhS makes sales.

After being swept up into Sir Terence Conran's Storehouse group in 1985, BhS ossified during the rest of the decade, growing slow and unresponsive. Profits slumped from £71.1m in 1987 to £27.5m by 1990 and as recession gripped, the company appeared to be heading for a crisis.

The failure of the merger was recognised this week as Storehouse disposed of Habitat and Richards shattering Conran's original design of a diversified retailing group and returning BhS to something like its original form.

But as a result of clearing the clutter, shareholders may now be better able to appreciate an eye-catching comeback that has been staged at BhS over the past three years finally resulting in impressive gains in profits – albeit from a low base. The £108m proceeds of Storehouse's disposals will now be largely used to accelerate this renewed organic expansion.

At the leading edge of BhS's revival has been David Dworkin, who was chief executive of BhS from November 1989 until he assumed the same role at Storehouse this July.

A sardonic, undemonstrative American who resembles a hip professor at a Californian university, Dworkin has presided over a radical process of change at BhS, which has intrigued the academic world and been used as a case study at Harvard Business School to demonstrate how to effect change in a service sector business.

*Dworkin says he had never heard* of BhS when he was asked to become its chief executive. He believes his ignorance was a bless*ing in that he viewed the business* in a truly objective light.

"A person who had grown up in this country could not have come in *and done what was necessary* because they would have had too much mental baggage. They would have been locked into too many haunting demons," he says.

When he studied BhS he saw an overstaffed static company with little strategic vision and still less determination to impose one. But with 130 well-located stores, 3.5m shoppers a week, annual sales of more than £600m, and a surprisingly high degree of customer goodwill, Dworkin believed the business had great potential – it was simply a question of unlocking it.

To help him achieve the task, Dworkin assembled a core of like-thinking people both from within and outside the company. Prominent among them were Ann Iverson, a fellow American retailer (now entrusted with the task of reviving Mothercare), and Steve Bedford, BhS's human resources director, who had already thought deeply about how to change the company's culture.

These directors were a complete contrast to the previous BhS management. The new team not only read the works of management gurus such as Michael Porter and Tom Peters; they even believed them.

*Women were represented on* the board for the first time. Six of the seven directors were under 40.

"We are a different generation and have more open-minded attitudes. We are the children of the 1960s. Hey, if our sales go up any more we'll all be smoking dope," says one director.

Dworkin's first priority was simply to improve the standards of retail practice. He was horrified to learn that some stores were unable to take in the new season's stock because their stock rooms were full of unsold merchandise from four years ago. In the American tradition, Dworkin ruthlessly marked down prices *in order to shift* unwanted stock.

With the help of outside consultants, the new team studied every *link in the company's supply chain, speeding up the time it took to* bring goods from the factories to the shop floor and reducing the number of suppliers from 850 to 500. By doing so, BhS increased the volume of goods it bought from any one supplier, thereby improving buying terms and service.

The company also upgraded the physical fabric of the stores: display wardrobes were ripped out and more open lay-outs introduced; aisles were widened; the internal lighting was sharpened up. Computer systems were introduced giving the company more accurate sales data, and electronic links were established with suppliers to ensure a more rapid replenishment of fast-selling goods.

Under the direction of Helena Packshaw, the marketing department *began fully to support the company's buyers for the first time.* An enormous number of interviews were conducted to determine shoppers' needs. A BhS Choice card was successfully introduced offering discounts for frequent shoppers.

All these "hard" problems were relatively simple to identify and solve. But at the same time Dworkin increasingly realised there would have to be a revolution in the "soft" side of the business – radically changing the way people thought and acted in order to "free up" the organisation and "empower" the staff.

However, this process was – in part – a brutal business. Layers of management were hacked out and 900 staff were sacked. "Waving a magic wand and shouting 1990s buzz-words was not going to solve anything. We needed to change a lot of people first," he says coldly.

*This is the first of two articles. The second describing BhS's "people revolution" appears next week.*

Sir Terence Conran

- 1928 British Home Stores founded by a group of American financiers.
- 1985 British Home Stores is merged with Habitat creating the Storehouse group. Trading profits stand at £55.4m reaching peak of £71.1m in 1987.
- Nov 1989 David Dworkin recruited as chief executive of BHS.
- 1990 Profits fall to £27.5m.
- Jul 1992 David Dworkin succeeds Michael Julien as chief executive of Storehouse. BHS profits forecast to rise to £37m.

David Dworkin

# Learning how to learn from allies

Western companies which have joint ventures or other "strategic alliances" with Japanese partners are notori*ously bad at extracting knowledge* and skills from their allies – on technology, marketing, strategy, organisation or anything else. Not *only are the Japanese much better* at learning in the other direction, they are also more adept at building barriers against unwanted *learning by the other side.*

Motorola, the American electronics group, and a few other western companies, have overcome this *two-way deficiency by improving* their learning skills, or "learning how to learn".

But a constant flow of research *shows that most of the learning* from western-Japanese alliances is still one-way. There continues to be a crying need both for better confi*dential advice to companies about how to handle particular alliances,* and for a general guide to learning in such situations.

Precisely such a document has *now been compiled, by a helpfully* cross-cultural team: a German management consultant, Heidi Amponsem of Booz Allen & Hamil*ton's Dusseldorf office, and a Cana*dian academic, David Rutenberg of Queen's University in Ontario. They unveiled it at the annual con*ference of the international Strate*gic Management Society.

Their guide comes in a rather curious form, but it offers all sorts *of sensible insights and sugges*tions, ranging from annual reviews of the adequacy of communication from the alliance to its parent company, *to the need for better job rotation policies for people on sec*ondment from the parent to the alliance.

Under the deceptively prosaic *title of "process guide to accelerate* an organisation's learning"*, the document covers several kinds of learning: not just from formal alli*ances, but also from informal col*laboration, as well as from "reverse engineering" – the dismantling and analysis of other companies' *products.*

On informal learning, the guide suggests that the organisation should perceive customers, suppli*ers and other outside organisations* as important sources for learning. It should systematise this learning through regular meetings of the managers and other employees *involved in such contacts.*

The guide, which doubles as an academic research document, is in the form of a series of self-assess*ment sheets, covering what the* authors call five stages of learning: "sensitisation" of the organisation and its employees to basic learning *processes, and even to the need to* learn (which, surprisingly, is not always obvious to everyone); information acquisition; synthesis of *learning between individuals;* transfer and storage of it; and implementation and evaluation of it.

*Each sheet contains a set of posi*tive statements, to which readers are invited to indicate whether their company always, sometimes, *or never does what is stated.* Under "sensitisation" for formal strategic alliances, Amponsem and Rutenberg's statements include "employees are specifically selected and *trained for the alliance*", and "employees away at a strategic alliance realise that after they have learned as individuals they still *have to transfer their insight to* their home company".

Under information acquisition, the guide suggests that "the persis*tence and endurance needed to* achieve learning goals is realistically understood". Also "employees away at a strategic alliance under*stand which information must* remain proprietary".

Under synthesis of information from the alliance, the guide not *only suggests regular meetings of all employees involved in each alli*ance, but also of one representative per alliance, in order to pool corporate insight into how to learn *from alliances in general. Also,* the parent should revise constantly its beliefs, values and guidelines for operating alliances.

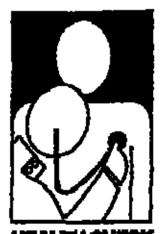
*Under transfer and storage, they* suggest regular internal "benchmarking" reports which compare the parent's operations with those *of each strategic alliance.*

Under implementation and evaluation, there should be an annual assessment of how corporate practice has been improved due to each alliance. And there should be an annual analysis of the costs and benefits of the alliance, plus a projection into the future.

**Christopher Lorenz**

** Booz Allen & Hamilton, Dusseldorf. Fax 49-211-371002.*

# Taking the risk of disease out of travel




Much of the blame for the global spread of sexually-transmitted diseases has, in the past, been attributed to the indiscreet meanderings of the military. Now a new agent – the international traveller – is also aiding and abetting the spread of increasingly-resistant diseases.

If you travel abroad as part of your job, you should be aware that the risk of picking up a sexually-transmitted disease is higher in some parts of the world than in others. High-incidence areas include Thailand, the Philippines, East and West Africa, as well as parts of the Caribbean and central America.

Risk is also related to the number of sexual exposures, number of partners and whether or not a condom is used. Avoid casual anonymous contacts and, in particular, any form of sex-for-pay. Studies have shown that the latex condom provides better protection than the natural skin condom, *which is* more porous to smaller organisms such as HIV.

Post-exposure symptoms may be *deceptively absent and, to further* complicate matters, the simultaneous transmission of several diseases is quite common. Once the infected traveller comes home, often within the incubation period of a disease, a partner may be unwittingly infected.

*Travellers who suspect they may* have been infected, even in the absence of symptoms, should be examined by a doctor. Sexual partners should also be screened and, if necessary, treated.

**Dr Michael McGannon**

*The author is the medical director of the Insead Business Health course.*

## Correction

In the key to a chart entitled "How quality is linked to rates of return" on the Management Page of Monday October 26, return on investment and return on sales were transposed. We *apologise for the error.*

# ARTS

Concert

## LPO and Kyung-Wha Chung

On Monday Franz Welser-Möst and the London Philharmonic began their Festival Hall concert in deceptively low profile, with the 18 year old Schubert's *Stabat Mater*. It inhabits the limbo reserved for those more than competent works by future masters which betray too few signs of the mature composer to come. This sober, graceful *Stabat Mater* might have been composed by any number of well schooled musicians and few listeners would guess Schubert first.

The LPO's choir sounded grey, their collective imagination unstirred. Then the violinist Kyung-Wha Chung arrived to play Bruch's D Minor concerto – his Second – and electrified everybody, as she is wont to do. Though this thoughtful, honestly made late-Romantic concerto boasts no astonishing wattage, she compelled us to listen to it as if it were a graven revelation; her commanding bow and her luminous conviction brooked no argument. Bruch would have been pleased, and indeed honoured. The orchestra, beautifully rehearsed, played their secondary role superbly.

Kyung-Wha Chung used to deliver almost anything with a pantherish intensity, often several scalding degrees beyond what the music could really bear. Here, it was lovely to hear her playing Bruch's unspectacular concerto with such acute sympathy and poise – but no hyper-dramatic pressure. Fluent musicianship was Bruch's leading virtue, and when it is made as plain as this one can't but admire and surrender to it.

Nonetheless, in Sibelius's Fifth Symphony after the interval the LPO strings were surely inspired by Chung's high-definition model. Their stark, fraught phrases boasted a passionate unanimity far beyond the British string-norm. (Presumably the LPO's new Leader, Joakim Svenheden, had something to do with that too.) The woodwinds were properly plangent, with a touch of shrillness in the right places, and all the brass were resoundingly secure.

Yet the symphony seemed simpler than it is. Despite Welser-Möst's fine gradations from *pp* to *ff*, everything sounded brightly polished, up-front – no chiaroscuro, no suggestive depths. As a result, the symphonic impetus sometimes flagged even while the actual execution dazzled.

There were some magical passages – like the first dance-paragraph of the Scherzo, which materialised out of the air with the utmost sweetness and modesty, set as if at a shy distance. The Andante variations could have done with more delicate effects of that kind; and in the Finale the famously unforgettable up-and-down thirds for horns never accumulated their full sense of thankful return and expansive release.

In short, we got a sharp symphonic blueprint but only hints at the dramatic subtext, which is always the heart of the matter in Sibelius as in Mahler. I look forward to hearing Welser-Möst conduct this Fifth again in (say) five years' time, by when his scrupulous attention to the musical surface should extend to a wider focus.

**David Murray**

Television/Christopher Dunkley

## Free speech impersonated

By rights British television ought to be declaring tonight a gala occasion: BBC2 is screening a new programme by Kenneth Griffith, an actor familiar from dozens of British movies who, in the latter half of his life, has turned himself into a maker of unique documentaries. Instead, tonight's programme, "Roger Casement – Heart Of Darkness", is tucked away in the *Timewatch* slot without so much as a promotional picture in *Radio Times*. Still, better that it should go out quietly than not at all. Griffith has been known to call himself, with some justification, "Britain's most suppressed film maker", and the most famous of those suppressions occurred in 1973 when his programme *Hang Out Your Brightest Colours*, about the IRA leader Michael Collins, was banned.

Now, nearly 20 years later, Griffith is finally managing to bring to our screens some idea of the Irish nationalist case which, in this country so proud of its tradition of free speech, has so rarely been expressed on television. Today when even the comments of an officially legitimate organisation such as Sinn Fein are suppressed by the British government (confirming for so many naive Americans the belief that what they see in Ireland is the last grinding of the British imperialist jackboot) Griffith's achievement is all the more remarkable.

He has done it by spending the first half of his programme detailing Casement's work in Africa and South America where he championed the cause of enslaved black people, only turning to the championship of Irish nationalism in the latter part of his life. In what has become his trademark Griffith plays not only the role of his central character, but all the others too: Joseph Conrad (who, it seems, was inspired to write "Heart Of Darkness" by meeting Casement in the Congo), King Leopold of Belgium, Lord Lansdowne, and so on.

As is also his firm habit, Griffith takes all the historical parts of his script from original documents, a practice which makes his programmes closer to true "documentaries" than most, but his own feelings are also allowed full rein. Since he is a passionate, committed, and deeply opinionated man this makes for powerful programmes, full of the strong flavours we expect in print, which are so rarely tolerated in broadcasting. With his willingness to express contrary views of people ranging from Napoleon to the Afrikaners, and his fervent attachment to the cause of personal freedom, Griffith has become the Celtic conscience of British television. He is now 71, but today's programme is a splendid addition to an already impressive CV. May there be many more.

Kenneth Griffith

*

The increase in cheap populist rubbish on British television, noted so often in this column over the last few months, shows every sign of continuing and even intensifying. *Dial Midnight* which describes itself as "a live late-night phone-in" is screened by ITV in London and northern Scotland on Friday nights in time to catch people coming in from the pubs. Its young female presenters, Samantha Norman (yes, Barry's daughter) and Anastasia Cooke specialise in items about the sexually bizarre. Two weeks ago they brought us Nikki who, we were told, was born with both a penis and a vagina but was now pregnant. Last week they interviewed an American surgeon whose speciality is penis enlargement. In the studio was a heavily disguised person who claimed to have had the treatment.

Every weekday morning BBC1 is now running *Good Morning With Anne And Nick*, a classic example of increased competition producing not variety but more of the same: the BBC is responding to ITV's ratings success *This Morning* which is presented by husband and wife team Richard Madeley and Judy Finnigan. The BBC version has a daily reading from Barbara Cartland, beauty hints, a medical phone-in, and much pouring of tea as Nick grins at Anne and Anne smiles distantly at Nick.

Furthermore it has been announced that in January, when the new ITV franchises finally come into effect and the scramble down market gets going in earnest, BBC1 will launch an early evening magazine programme called *Entertainment Express* dealing with Hollywood gossip, prime time television, mass-market music, best-selling books, Nintendo and home entertainment. It sounds like a classic example of media howl-round with television feeding increasingly off its own regurgitated material.

In this new world of television if series such as *The South Bank Show* are to be preserved, and to continue transmission at a reasonable hour, we should no doubt take more trouble to express our admiration. Melvyn Bragg's series succeeded *Aquarius* 15 years ago as ITV's flagship arts programme, and the standard has been consistently high for so long that it is hard not to take it for granted. This week's programme on the Royal Ballet's comparatively young ballerinas, Darcey Bussell and Viviana Durante, was typical in many ways. Technically well made, it provided insights which must have been new to all but the specialist, and though there was a smattering of "home life" detail (taking the Jeep to the garage, wandering in the market) the programme concentrated on what the *SBS* has always done best: analysing and illustrating for the lay viewer the path to success in whichever art form happens to be the week's subject.

*

Michael Palin's greatest asset is his Mr Nice Guy persona. Even in *Monty Python's Flying Circus*, while the others were being outrageous or manic, he tended to be the more reasonable one, or the fall guy. The same was true of his role in *A Fish Called Wanda*, and it was surely his unaffected charm, verging occasionally on diffidence, which made his 1989 travel series *Around The World In 80 Days* so popular. That said, charm alone may not always be enough. There were nice moments in the opening episode of his new travel series, *Pole To Pole*, as when, panning for gold in a Lapland river, he shouted at his film crew "Go away, go away, leave me here, I don't need you any more", or found himself being propositioned by a lonely lighthouse keeper. But that episode which felt like such a long hour turned out to be only 50 minutes. Perhaps matters will improve today as he travels through Russia.

*

Mention of *Wanda* brings to mind this week's "Screen One" production, *Trust Me*, in which Alfred Molina played a pathological fantasist/liar who comes unstuck when he tries to sell the story of his life as a contract killer to a publisher and is promptly hired to bump off the publisher's wife. Both works are comedy thrillers, a form in which there is such a strong British tradition, but while most people who have watched *Wanda* would happily watch it again it is hard to imagine anyone bothering to watch *Trust Me* twice. Why? Perhaps because the laughs in the television film are fewer and milder than those in Cleese's film. But more important, surely, is Cleese's willingness to rework and polish his material almost obsessively, a habit which paid off in *Fawlty Towers* as well as *Wanda*. No doubt lots of hard work went into *Trust Me*, but that much more effort might have turned it into an endlessly repeatable classic.

Alastair Muir

Susan Lynch and Jonathan Wrather in Edward Bond's new version of Wedekind's 'Lulu'

Theatre

## 'Lulu' as melodrama

The story of Lulu, a woman with an insatiable sexual appetite who comes to a sticky end, must go deep into mythology, whether it is treated as tragedy or farce. It can also be melodrama, as an impressive new production by the Cambridge Theatre Company shows.

Frank Wedekind's original *Lulu* was regarded as so shocking that it was not performed in his lifetime (1864-1918). Alban Berg later made an opera of it. Quite why the play as a whole was suppressed – it was allowed to run in separate parts – is not clear. It is not far out of line with the real life activities of Jack the Ripper and the fantasies in *The Picture of Dorian Gray*, both of which were broadly contemporary. Anyway, it is in this spirit that the Cambridge have picked it up in a new version by the once fierce playwright, Edward Bond, and his wife Elisabeth Bond Pablé. The pair have worked on Wedekind before.

The Bonds may have deeper thoughts in mind, but their *Lulu* ccomes across as melodrama through and through. Lulu is a victim of child sex abuse. Molested by her father at an early age, she takes to sex like a duck to water and seldom stops paddling. It takes her a long way: from the artist's studio of Berlin to the salons of Paris and finally the garrets of London. By then her father is 80 but still hankering after her and she is still tempted.

She falls to Jack the Ripper's knife when she is reduced to picking up men from the streets and paying them to sleep with her. The original portrait of Lulu, painted in Berlin, has made its way to London via Paris and now hangs in the attic. Lulu has remained true to her principles: she spurns the advances of her lesbian admirer, Countess Geschwitz. Only men will do, though at one stage she regrets that she cannot make love to herself.

Is this shocking? No, because it contains no new insights and we have become inured to sexual violence. The story has no moral as far as one can see. Yet the direction by Nick Philippou at the Lilian Baylis Theatre is wonderfully done. Watch the way Lulu dangles a piece of asparagus dripping with butter an inch or so above her mouth. It may have been picked up from the movie of *Tom Jones*, but it catches the link between sex and eating.

There is a scene which could be farce when Lulu has four lovers in and around the dining room at the same time: one serving, one eating, the husband peeping through opera glasses from behind the door and the man from the local billiard hall concealed behind the curtains. Philippou's direction achieves the remarkable feat of playing this straight.

There are some liberties. When Lulu picks up an African prince she tells him her name is Daisy; he begins to sing the famous song. There may also be some losses. A reference to a riot in the Reichstag has become irrelevant. The symbolism of Lulu's investments is thrown away. She has put her money into a company called Jungfrau. The share price collapses catastrophically just as she decides to cash in because she is subject to blackmail and her own body is worn out by over-use.

*Lulu* is played by Susan Lynch with great physical elasticity. She has one defect, though it may be deliberate. She has a nasty curl to her lips and her voice can become unpleasantly harsh. The hair and eyebrows are excessively severe. Melanie Jessop plays the lesbian countess with such feeling that perhaps she is in the wrong play. The men are all more than competent, but this is Lulu's show.

**Malcolm Rutherford**

Lilian Baylis Theatre until November 14. (071) 837 4104

## Ogres, vampires and maidens abound

**William Weaver** reviews Mascagni and Marschner operas at Wexford

An 18th century operatic version of a Shakespearean comedy, an early 19th century romantic tale of vampires and innocent maidens and a 20th century retelling of an episode of the French revolution – the fare offered by the current Wexford Festival – is nothing if not eclectic.

When he came to compose *Il piccolo Marat* around 1920, Pietro Mascagni had been famous for three decades. They had not been happy decades, for his efforts to repeat the youthful success of his *Cavalleria rusticana* had largely failed. In accepting the French subject proposed by the librettist Gioacchino Forzano, Mascagni was in effect taking a step backwards, toward the grim realism of an earlier generation. The story of "Les Noyades", victims of the Terror slain by mass drowning, inevitably suggests Umberto Giodano's *Andrea Chenier*; unfortunately, the comparison only underlines the weakness of the Mascagni work, its flat, disjointed libretto, its over-emphatic, undistinguished score, its cardboard characterisation.

Still, *Il piccolo Marat* has its defenders, including the scholar Julian Budden, who makes a fervent case for it in the Wexford programme book. The Wexford production also argued strongly, if not convincingly, in the work's favour. The conductor Albert Rosen drove orchestra, chorus and singers at an urgent pace, the volume turned up full blast. The vigour of the performance still could not hide the limpness of the text – though in the central role of the Ogre, the Russian bass Georgi Selesnev, was a splendid, vital villain, notable not only for his powerful yet flexible instrument but also for his excellent enunciation. In the ungrateful, taxing title role, the American tenor Thomas Booth sang with generous enthusiasm, letting his voice ring out. While he is not a great romantic actor, Booth's purposeful sincerity won him deserved applause.

The role of Mariella, the ingénue heroine is not rewarding: she has little to do save suffer. But Karen Notare also threw herself totally into her task. The voice is big, occasionally unruly and, at top volume (as the conductor often wanted it) it is not entirely pleasant. But in her long second act scene this dramatic soprano sang accurately and affectingly.

Producer Stephen Medcalf boldly scrapped any notion of realism and opted for a more fanciful narration, with dream-like, flashback tableaux and a lovely final apotheosis-vision. The designer Charles Edwards merits all praise.

Wexford is to be praised, too, for its intelligent selection of supporting singers. The American baritone Richard Zeller (European debut) made a moving, lyrical Carpentiere and in their even briefer appearances, the bases José Garcia and John Rath made a good impression.

While it is given fairly regularly in German houses, Marschner's *Der Vampyr* is virtually unknown elsewhere; and yet, as this Wexford staging indicates, it can be enjoyable and, within its limits, effective. Wisely, the Wexford producer Jean-Clause Auvray decided not to send up the work. There are, true, some light, singspiel-like moments in *The Vampyr*, but there are also scenes of tenderness and terror. Unfortunately, Auvray decided to add some inventions of his own – including a totally misleading ending – and also to omit some of its magic. Thus the designer, Kenny MacLellan, was not allowed much scope.

In the libretto, by W.A. Wohlbruck (after Polidori), Lord Ruthven, the vampire, has to drain the blood of three maidens on the eve of their wedding and all within the space of 24 hours. Miraculously Ruthven brings it off – so there are three fairly meaty female roles. As the third girl, Emmy, the young Irish soprano of Frances Lucey enjoyed a well-earned triumph. Clean and pure, the voice poured out freely, naturally; the words were distinct, the phrases sensitively shaped. Unfortunately, the other two victims were less exciting and the vampire himself, the American baritone William Parcher, was hollow-voiced, his diction woolly, his pitch sometimes less than perfect.

As Aubry, the proper beloved of victim number two, the tenor Walter MacNeil sang with fresh, impassioned tone and musical precision. Though not a born actor, he commanded respect and admiration. Among the smaller roles, the German tenor Jurgen Sacher was appealing as George (Emmy's betrothed) and Jutta Winkler was a pert Suse.

Marschner's music, following Weber and anticipating Wagner, is not sublime, but it is never less than competent and often delightful. Wexford performed it in the revision made by Hans Pfitzner in the 1920s; among its vagaries there is the shifting of the catchy Overture from its normal position at the opera's beginning to an awkward place between first-act scenes. The Festival might well have gone back to the original on this occasion.

## INTERNATIONAL ARTS GUIDE

### ■ BONN

Tonight and on Sat at the Bonn Opera House, Eugene Kohn conducts concert performances of two little-known Puccini operas, Le Villi and Edgar (773667). Fri in Beethovenhalle: Stefan Sanderling conducts orchestral works by Siegfried Matthus, Tippett and Stravinsky (773666)

### ■ COLOGNE

**CONCERTS**

In tonight's concert at the Philharmonie, Mikhail Pletnev conducts the Russian National Orchestra in works by Glinka and Tchaikovsky, with piano soloist Ivo Pogorelich. Fri: Kurt Sanderling conducts Cologne Radio Symphony Orchestra. Sat: *Dave Brubeck. Nov 29: Abbado* conducts Berlin Philharmonic (2801)

**OPERA**

Kathleen Kuhlmann sings the title role in Carmen tonight at the Opernhaus (also Sat and next Wed). Fri: Die Zauberflöte. Nov 5: Margaret Price sings Lieder. *Nov 8: first night of new production of* Henze's Der Prinz von Homburg, staged by Marco Arturo Marelli, conducted by Lothar Zagrosek, with a cast including Helga Dernesch (221 8400)

### ■ COPENHAGEN

A new four-part ballet production, including Balanchine's Apollo, opens at the Royal Theatre tomorrow (repeated on Nov 4, 6, 11, 20). The opera repertory includes La bohème and Der Rosenkavalier (3314 1002)

### ■ FRANKFURT

**CONCERTS**

Peter Hofmann, ex-heldentenor now singing rock, gives tonight's concert at the Alte Oper (also Sat). Tomorrow: Drottningholm Baroque Ensemble presents Bach's B minor Mass, with *soloists including Barbara* Bonnney and Hans-Peter Blochwitz. Fri: Martha Argerich and Alexandre Rabinovich play piano duos. Nov 14: James Galway. Nov 20: Dmitri Hvorostovsky (1340 400). Sat at Jahrhunderthalle: Yuri Ahronovich conducts the Bamberg Symphony Orchestra in Dvořák's Carnival overture *and Violin Concerto (Shira Rabin)* and Berlioz's Symphonie fantastique (3601 240)

**OPERA**

Fri at Jahrhunderthalle: Warsaw State Opera in Jerome Savary's production of Il barbiere di Siviglia (3601 240). A new production of Die Fledermaus, staged by Georges Delnon and conducted by Carlos Kalmar, opens at the Opernhaus on Sat. Un ballo in maschera can be seen on Fri and Mon, and La traviata is revived on Nov 6, with Margaret Marshall as Violetta (236061)

### ■ GOTHENBURG

**Konserthus** 19.30 Neeme Järvi conducts the Gothenburg Symphony Orchestra in Sibelius' En Saga, Stenhammar's Second Piano Concerto (Cristina Ortiz) and Stravinsky's complete Firebird. In tomorrow's concert, the Stravinsky is replaced by Bartók's Concerto for Orchestra. The orchestra takes these works on a tour of Britain from Nov 14 to 20. Nov 12 and 13: Moscow Chamber Orchestra (167000)

### ■ HAMBURG

**OPERA/DANCE**

Tonight's performance at the Staatsoper is Die Walküre, in a new production staged by Günter Krämer and conducted by Gerd Albrecht. The cast includes Gabriele Schnaut, Hanna Schwarz, Hartmut Welker and Kurt Moll (also Nov 5, 15). Tomorrow: John Neumeier's Prokofiev ballet A Cinderella Story. Fri: *Così fan tutte*. Sat: Don Carlos. Next Tues: revival of Neumeier's production of Nutcracker (351721)

**THEATRE**

A new production of Ariel Dorfman's play Death and the Maiden, directed by Daniel Karasek, opens at Thalia Theater on Sat. *The repertory also* includes plays by Beckett, Shakespeare and George Tabori (322666). Thomas Bernhard's play Die Macht der Gewohnheit opens at the Deutsches Schauspielhaus on Sun. The repertory also includes Shaw's Heartbreak House and Arthur Miller's Death of a Salesman (248713)

### ■ LEIPZIG

● Tonight's concert at the Gewandhaus is given by the Berlin Philharmonia Quartet. Next month's programme includes a Puccini concert conducted by Kurt Masur, with soloists Kathleen Cassello and Keith Olsen (Nov 7), a concert by the Chicago Sinfonietta (Nov 8), a performance of Brahms' German Requiem featuring Bryn Terfel as baritone soloist (Nov 10), a recital by Pinchas Zukerman (Nov 11) and a *performance of* Mahler's Second Symphony featuring Grace Bumbry (Nov 18). Masur and the Gewandhaus Orchestra tour Switzerland in the middle of the month (71320)

● A new ballet production choreographed by Uwe Scholz, with music by Wagner and Udo Zimmermann, opens at the Opernhaus on Sat. José Carreras *gives a song recital on Sun.* The opera repertory includes Busoni's Doktor Faust (tonight), Il barbiere di Siviglia (Fri), Der fliegende Holländer (Sun afternoon), plus Tosca, Die Zauberflöte and a Bartók/Schoenberg double bill (291036)

● Leipzig's avant-garde theatre festival, *Euro-Scene*, celebrates its second birthday next month (Nov 18-22) with eleven productions from seven European countries. Visitors include Theatre Jel of Budapest, Derevo theatre company from St Petersburg and Anne Teresa de Keersmaeker's Brussels-based experimental dance group Rosas. The festival ends with a gala featuring a ballet danced by John Neumeier and Marcia Haydée (Advance booking at Schauspielhaus, Bosestrasse 1, 7020 Leipzig, tel 792 2162)

### ■ NEW YORK

**THEATRE**

● Juno: a musical based on Sean O'Casey's Juno and the Paycock, about the Boyle family in 1921 Dublin. Music and lyrics by Marc Blitzstein. Tonight's performance is a preview, opens tomorrow (Vineyard Theatre, 108 East 15th St, 353 3874).

● Catskills on Broadway: a revue that pays tribute to the area that spawned America's funniest people, a festival of ethnicity and all but unbroken laughter (Lunt-Fontanne Theater, 205 West 46th St, 307 4100).

● Born to Rumba: a musical by Michael Alasa about sex, sin, sacrifice and self-deception, set *in a pre-Castro Havana nightclub* (Duo Theater, 62 East 4th St, 598 4320).

● Oba Oba 93: 75 dancers, singers and magicians recreate the sights and sounds of Brazil (Marquis Theatre, 1535 Broadway at 45th St, 307 4100).

● *Crazy for You: a musical comedy which won three 1992* Tony awards, about a 1930s banker's son who is sent to close a theatre in a mining town, where he falls in love with the only girl in town (Shubert Theater, 225 West 44th St, 239 6200).

● Conversations with My Father: Herb Gardner's play spans four decades and focuses on a youth's coming of age and struggle to communicate with his strong-willed immigrant father (Royale Theater, 242 West 45th St, 239 6200).

● Jelly's Last Jam: Gregory Hines stars in a musical based on the life and times of jazzman Jelly Roll Morton (Virginia Theater, 245 West 52nd St, 239 6200).

● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

### ■ STUTTGART

The latest new production at the Staatstheater is Luigi Nono's Intolleranza 1960, staged by Christoph Nel and conducted by Bernhard Kontarsky, with a cast including Kathryn Harries (final performances on Sat and next Thurs). The next new production is Monteverdi's Ulysses, conducted by Alan Hacker, first night Nov 14. The next ballet premiere is a mixed bill featuring choreographies by Béjart, Santi and Zanella, first night Nov 19. The repertory also includes Andrea Chenier (tonight), The Bartered Bride (tomorrow), La bohème and Mahagonny (221795)

### European Cable and Satellite Business TV

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0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

*Sky News*
2030-2100, 2230-2300 FT Business Weekly

**SATURDAY**

*CNN*
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*Super Channel*
0830-0900 FT Business Weekly

*Sky News*
1130-1200, 1730-1800 FT Media Europe

**SUNDAY**

*CNN*
1030-1100, 1800-1830 World Business This Week

*Super Channel*
1900-1930 FT Business Weekly

*Sky News*
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Wednesday October 28 1992

# No time off for America

*THE US presidential election* campaign has been dominated by a single question. Who can do most to revive the domestic economy – President George Bush, with his continuation of the low-tax, minimum-government strategy initiated by President Reagan, or Governor Bill Clinton, with his new interventionism? Outsiders who regard the occupant of the White House as the natural leader of the developed world must accept that foreign policy issues will not be decisive in this contest.

Americans today believe that they need time off from world leadership. Preoccupied with social and economic problems at home, they have come to see their incumbent president's interest in foreign policy as an expensive luxury. In deciding for or against him next Tuesday they will be asking who can, above all, restore the American economy's ability to withstand global competition, create employment, generate wealth and arrest the descent of important cities into anarchy.

At best this mood reflects an understanding that superpower status, even if measured by military strength and exercised by diplomatic skills, depends in the long term on a productive economy and a cohesive society. Yet Americans should be under no illusion that they can solve their domestic problems purely through domestic policy. While the main military threat to US security has disappeared, the US economy is much more dependent on international trade today than in the past. More than ever the US needs an open world market.

## Free trade

President George Bush appreciates this. He has grasped the opportunity of Mexico's conversion to free trade, and has given high priority to the Uruguay Round, in spite of many interest groups lobbying in the opposite direction. Mr Bill Clinton appears to share the free trade orientation, but the contrary pressures within his party are stronger.

Security issues are equally important. Experience has taught Americans that their security is ultimately bound up with that of Europe. They cannot be indifferent to the success or failure of political reform in Russia. They cannot but regard China's rapid economic growth as at once an opportunity and a threat. They must be worried by the proliferation of weapons of mass destruction, in controlling which both Russian and Chinese co-operation will be essential. And they should worry also about the world population explosion and the ecological balance of the planet – issues inseparable from the gnawing question of third world poverty.

## Broader challenges

In dealing with such issues, Mr Bush's record has been mixed. He was deft and forceful in handling the reunification of Germany; even more so in organising the response to Iraq's seizure of Kuwait. He has averted the fragmentation of Soviet nuclear forces; shown strategic vision in dealing with China; and brought Arabs and Israelis together in a promising peace process. But he has not risen to the broader challenges of the time.

Understandably, the US has no appetite for the role of universal policeman. But under Mr Bush it has not gone very far, either, in adapting its policies to favour an effective multi-polar system. In Europe, it has payed lip service to European unity while allowing a weak dollar to help pull the European monetary system apart. It has insisted on the primacy of Nato in security matters, yet discouraged any Nato involvement in coping with the most serious breakdown of European security, in Yugoslavia. Latterly even the control of arms exports has been sacrificed to electoral interests.

Mr Clinton is inexperienced in foreign policy but has good advisers, drawn from a party with a tradition of paying prices and bearing burdens in the cause of freedom. A Clinton victory would not necessarily bring a change for the worse in foreign policy – or an improvement in domestic policy. While ridiculing Mr Bush's "read my lips" pledge, Mr Clinton has given a similar hostage to fortune by promising not to increase taxes on "the middle class". Whoever wins will be immediately confronted with the task of promoting growth in the domestic economy, tackling the budget deficit, and, at the same time, refocusing on the inescapable global responsibilities of what is still the most powerful nation on earth.

# Meanwhile, to the north . . .

MR BRIAN Mulroney, Canada's long-suffering prime minister, has just joined the growing band of western leaders rendered impotent by popular disaffection. The decisive No pronounced by six of the country's 10 provinces in Monday's referendum on a new constitution represents a humiliating blow not just to his government but to Canada's ruling elite. It may also bring closer a prospect which politicians have been wrangling for years to fend off: the slow disintegration of Canada as a unitary state. At best, Canadians now face years of political uncertainty; at worst, they could be drifting towards a divorce – or divorces – that will be messy and acrimonious in the extreme.

That may seem unduly apocalyptic. Canada remains one of the world's most prosperous countries with traditions of tolerance and moderation; its imminent break-up has been frequently predicted in the past without tangible results – most recently after the collapse of a previous, less far-reaching attempt at constitutional reform, the Meech Lake accord of 1987.

Nor should Monday's result be read as a rejection of Canada by a majority of Canadians. As with Europe's Maastricht treaty, voters were considering a tortuous and flawed document – the Charlottetown accord – that sought to bridge or fudge serious conflicts of interest between provinces, and in particular to accommodate francophone Quebec's desire for special status within the federation. And as in Europe's referenda on Maastricht, those who voted No did so for a variety of reasons, ranging from disenchantment with a lacklustre ruling class to dismay at a sluggish economy.

## Serious setback

But that does not make Monday's verdict any less serious a setback. With federal elections looming within the next 12 months, Canada will not now be able to reopen serious discussion of a constitutional settlement for years. In the meantime, it will be open season for populist politicians in the provinces who advocate greater autonomy, or separatism, without caring to spell out the consequences.

This is most obviously the case in Quebec, where separatist parties hope to win the next provincial elections and would then press for another referendum on independence. But the voices of the Quebecois have echoes elsewhere – notably in the resource-rich western provinces which are tiring of providing fiscal transfers to a federation that often seems remote from their concerns, and among the aboriginal peoples seeking self-rule. Such sectional interests have been aroused by the concessions promised under Charlottetown and will not lightly retire from the fray. Since many of their demands could ultimately conflict, Canada will not be able to escape the task of negotiating to reconcile them.

## Separate identity

Canadians may have rejected their leaders' latest proposal on Monday, but none of the issues which prompted the need for a new constitutional settlement has gone away. The centripetal pull of a country 10 times as populous to the south remains as strong as ever. Indeed, Canada will feel the force of the US market all the more strongly with the arrival of the North American Free Trade Area.

Conversely, Canadians' desire to preserve a distinct political and cultural identity *vis à vis* their southern neighbours does not seem to have diminished. The question now is whether that is possible within one country, or can only be accomplished via separation.

A divorce between Quebec and the rest of Canada would not necessarily be a disaster. There is no reason in principle why a small and compact country should find it more difficult to make its way alongside the US than a large but thinly-populated one.

What matters above all is the manner of the separation, and here there are ample grounds for conflict – between the federation and the provinces over assets, between the west and the east over budgets, between the provinces and the aboriginals over land, or all of them simultaneously. Canadians will need large reserves of patience and flexibility if these pressures are not to result in damage to their country's economy and social fabric.

Governments must maintain financial stability and open markets to achieve recovery, writes **Martin Wolf**

# Depression is in the mind

*"It still seems probable that we should be able to prevent serious depressions by preventing the inflations which regularly precede them, but there is little we can do to cure them, once they have set in. The time to worry about depressions is, unfortunately, when they are furthest from the minds of most people"* – Friedrich Hayek, The Monetary Framework, The Constitution of Liberty

If Hayek was right, the world economy is already doomed. For an inflationary reduction in the purchasing power of money has been a feature of the world economy since the second world war, while a depression is certainly not far from the minds of people today. On the contrary, many people write as if a global depression were a fact, not just a fear.

The dangers were well described by the American economist, Irving Fisher in his analysis of debt deflation in the 1930s*. Over-indebtedness and asset price deflation can lead to debt liquidation, to the collapse of banks and the decline in bank deposits, to a fall in prices and to a rise in real rates of interest. If a fixed exchange rate system and an outbreak of global protectionism is added to the list, deflation can readily become global.

Yet it is not at all obvious why a global depression should happen and quite clear that nothing like one has happened yet. The gross domestic product of the industrial countries as a group continues to rise every year. There is no resemblance between this and the Great Depression: between 1929 and 1933 US real gross national product fell by 30 per cent, while German GDP declined by 24 per cent between 1929 and 1932. Contemporary examples of comparable collapses are not to be found among the industrial countries, but in eastern Europe and the countries of the former Soviet Union.

Helped by the decision to break the fixed link between sterling and gold in 1931, UK GDP fell by only 5 per cent between 1929 and 1931 and was back above 1929 levels by 1934. Thus the performance of the UK economy during the present recession does merit comparison with that during the Great Depression. But there is an important difference: with a decline in GDP of 4 per cent between the second quarters of 1990 and 1992, the UK has suffered far more than any other leading economy this time. In the Great Depression, by contrast, it suffered less than others.

What this is not, therefore, or at least not yet, is a *global* depression, by which is meant a prolonged period of worldwide economic decline, with falling prices and collapsing trade. Between 1930 and 1933, for example, world trade in manufactures fell by 40 per cent. This time trade continues to grow.

At the same time, the current recession is different from others since the second world war. As a consequence – argues Alan Greenspan, the chairman of the US Federal Reserve – recovery is also likely to be particularly slow.

This slowdown, so far most evident in the Anglo-Saxon economies, has been both unexpected and consistently underestimated. At the end of 1989, for example, the OECD forecast fairly steady growth for US and the UK (see charts).

It is true that most economic slowdowns are unexpected. But the last two – the oil-shock related recessions of 1973-76 and 1979-83 – were unexpected for a rather good reason. The combination of a sudden sharp deterioration in the terms of trade with a desire to lower rates of inflation in the industrial countries, which reached 14 per cent in 1974 and 11 per cent in 1980, explained both the recession and the surprise. But this time there has been an unexpected recession without a similar global surprise.

The exception that seems to prove the rule has been Europe, where German unification has been one explanation for recent mediocre performance. It was partly an accident of history, but also a mistake by the politicians that made this the moment when the exchange rate mechanism of the European Monetary System was treated as a modern-day gold standard.

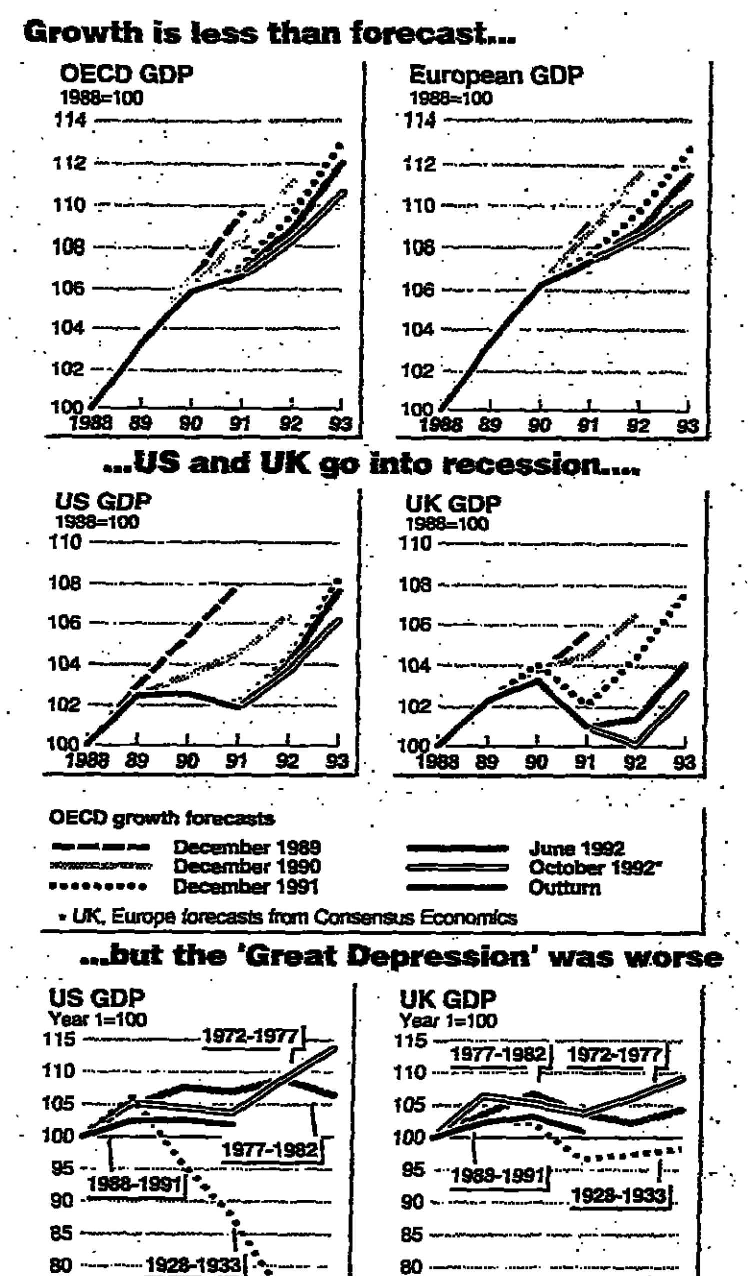
The rest is already history: a short-lived economic spurt in Germany; a boost to demand in the rest of Europe from the disappearance of the German external surplus, more than offset by the recessionary effects of the rise in German interest rates; slower growth in Europe; and, finally, the exit of the lira and sterling from the ERM and the devaluation of the Spanish peseta.

German unification is not the only unexpected political event to affect current economic performance. The peace dividend, also caused by the end of the cold war, has important effects on the US. California, now expected to reject Mr Bush in the presidential election, is the most significant victim of defence cuts.

Yet the story in the US, Japan, the UK, Canada, Australia and Scandinavia, economies that together account for two-thirds of the total output of the industrial countries, is rather different. It is one of asset price inflation followed by debt-deflation. In the 1980s, private citizens – from the humblest house buyer in Surbiton to Mr Paul Reichmann – chose to bet on inflation, something that the financial liberalisation of the 1980s made too easy and over-ambition or perhaps simple greed made too attractive.

According to the IMF's latest World Economic Outlook#, the ratio of total private non-financial sector debt to GDP rose from below 0.8 to above 1.6 in the UK, from above 1 to above 1.4 in the US and from 1.3 to 2.2 in Japan between 1980 and 1991. Prices of residential property, deflated by consumer prices, rose by some 200 per cent in Japan between 1980 and 1991, by roughly three-quarters in the UK between 1980 and 1989 and by some 30 per cent in the US. Thereupon they plunged, with serious consequences both for debtors and financial intermediaries. The latter is not surprising: in the US 42 per cent of all outstanding bank loans was against property in 1991, while in the UK the proportion was 31 per cent.

Provided the financial system does not collapse, depositors should feel little worse off as a result of asset price falls. But substantial net borrowers will. In the UK, for example, the ratio of mortgage debt to the value of the housing stock rose by almost 10 percentage points, to nearly 33 per cent, between 1988 and early 1992. As net worth declines, people try to save more. As the desire to save rises, economies decline, further undermining debt-servicing capacity.



Source: OECD, Datastream, The Economist - 100 Years of Economic Statistics

In the 1980s, real rates of interest – interest rates deflated by the prices of goods and services – were high, above the long-term rates of growth in most industrial countries. But to purchasers of assets, things looked different. Since asset prices rose far faster than the prices of goods and services in general, borrowing seemed a painless way of becoming rich. But the prices of goods and services, on the one hand, and of assets, on the other, cannot diverge indefinitely. Ultimately, the relative prices of assets must fall.

If this is the main problem, what is the prognosis and what, if any, are the solutions?

The Federal Reserve believes that the past two years have taken the US economy only about half way through the necessary balance sheet adjustment, following seven reductions in its benchmark rate of interest, the discount rate, taking it from 7 to 3 per cent. Some financial economists are gloomier still. By those standards, Japan has hardly begun its adjustment and the UK has also far to go, particularly in the personal sector.

Low short-term rates of interest are simply a necessary condition for balance sheet adjustment. But they are not a sufficient condition for a strong recovery. Recovery demands a return to borrowing, precisely what debt-encumbered businesses and individuals will refuse.

What could be more attractive to those responsible for debt-laden economies than another bout of inflation? If debt-to-GDP ratios are double what debtors desire, why not double nominal GDP? Only too aware of this danger, Hayek also wrote that "the harmful effects of even small doses of inflation can be staved off only by larger doses of inflation".

One objection to a policy of default through inflation is that an uncontrollable flight from the currency would be certain. High inflation is also a recipe for civil strife and economic inefficiency. Moreover, this was precisely the policy tried in the 1970s, with disastrous consequences for the borrowing behaviour of the private sector in the 1980s.

The legacy of past inflation also explains why the other obvious remedy for the pains of debt adjustment, a fiscal boost, is likely to prove ineffective. A large government sector is a bulwark against an economic collapse. But further government borrowing is no sure route to recovery. Knowing as they do the temptation to inflation inevitable in a highly indebted economy, investors demand high interest rates as the price for taking on more long-term debt. Unless a fiscal boost can be believably limited in duration, the resulting increase in long-term interest rates would tend to nullify the benefits of a more active fiscal policy.

Far better than the scatter gun of inflation would be a conscious decision by government to substitute its own liabilities for a part of the outstanding private debt, but rather to shore up an enfeebled financial system than to protect borrowers from the consequences of their errors. Debt nationalisation has already occurred in the US in the case of the savings and loans institutions, as well as in the case of Scandinavian banks. Nobody can be sure that it will not happen, to some extent, in the UK and Japan as well.

Not allowing the financial system to collapse is essential if asset price declines are not to create a depression. Governments must also keep short-term interest rates low enough to permit balance sheet adjustment. Equally important, however, is international co-operation, particularly over trade. An outbreak of protection, following a collapse in the Uruguay Round of multilateral trade negotiations, would be almost the worst possible mistake.

Governments must ensure the health of their financial systems and the openness of their economies. Recovery will follow in time, if not as soon as many hope. The worst mistake of all would be to panic. This is not yet a re-run of the Great Depression. Provided governments keep their heads, it should not become one either.

** Irving Fisher, The Debt Deflation Theory of Great Depressions, Econometrica, 1933, pp.337-57.*
*# Asset Price Deflation, Balance Sheet Adjustment, and Financial Fragility, in World Economic Outlook, October 1992 (IMF: Washington DC).*

# Policy begins at home

## Domestic considerations have moved to the top of the political agenda worldwide, writes **Charles Leadbeater**

A disturbing tremor is running through the political leadership of the world's leading economies.

In the US, President George Bush is facing a desperate struggle for political survival. In Europe, the British government is reeling from a string of crises which has undermined its authority; the French Socialists fear for their political futures; the Italian government is struggling to achieve vital political and economic reforms; across the EC, lights have almost gone out on political and monetary integration.

Meanwhile in Japan, the Takeshita faction, the central pillar of the ruling Liberal Democratic party, is embroiled in a power struggle to replace its fallen kingmaker, Mr Shin Kanemaru. The struggle could seriously disable the Miyazawa administration as it attempts to revive the ailing economy.

Clearly, the elements of this political turmoil are not all alike. Yet they share a common thread. They are all part of a great turn inwards in politics, away from international commitments towards domestic agendas. In each case the balance between international and domestic priorities is being readjusted.

In the late 1980s it became fashionable to predict that national politics would be overtaken by the internationalisation of political power. According to this view, the nation state was being superseded as the base for political power, as national policies were increasingly circumscribed by international factors, particularly the flow of the international economy across national borders.

Instead, this year will mark the revenge of national politics, as domestic considerations in the most powerful economies take precedence over international considerations. In the US, Europe and Japan, ambitious attempts to align national political priorities with international commitments are being unwound in favour of more modest attempts to put the domestic economic house in order.

This shift is most pronounced in the US. Two years ago President Bush basked in the afterglow of the Gulf war and the west's triumph over communism in eastern Europe. But in the past 18 months the domestic economy has taken priority. The dominant theme of the presidential campaign has been a call for America to redirect its energies to the domestic agenda at the expense of commitments abroad.

Until very recently European leaders were confident that economic and monetary union was the best way forward. The line between domestic and international politics has become increasingly blurred in Europe as national sovereignty has been superseded by the Community in more and more areas. But the move towards integration may have stalled. The Maastricht treaty is in danger of running into the sand as its architects reassess the prospects for economic convergence and the democratic credentials of the institutions it seeks to create.

But most important, integration has been thrown off-course by the assertion of German national priorities. So far, the country's policy of paying for the costs of unification without significant tax increases has forced others, particularly the UK, to reassess the feasibility of economic integration around the core of the German economy. The German turn inwards has forced others to do the same.

Japan is slightly different. Since the second world war it has been cautious in its international commitments. It has just taken its first, tentative moves towards a more active foreign policy through its overseas aid programme and its increasing involvement in UN peacekeeping activities in Asia.

However, in Japan too, political turmoil has been provoked by a turn inwards. In the late 1980s Japanese economic policy was largely designed to meet US demands that the Japanese trade surplus should be reduced. To achieve that end authorities stimulated the domestic economy through relatively loose monetary policy, which in turn inflated the bubble economy of soaring stock prices and real estate values.

Over the past two years, however, the Japanese economic authorities have reasserted the importance of economic policy being directed towards domestic stability rather than international commitments. As the bubble economy has been deflated, so have the reputations of the politicians who prospered during its heyday.

This great turn inwards to put domestic economic houses in order may be necessary. But it carries at least two significant risks.

The first is a risk for the world's weaker economies. As the main industrialised countries are increasingly preoccupied with their own problems they may become more reluctant to direct policies and investment towards other countries. Even political leaders of weaker economies in Europe, such as the UK and Ireland, may find it difficult to gain influence with German policymakers. For economic officials in eastern Europe and Africa, the sense of exclusion will be that much greater. In these regions, the need to find levers to influence policy in their more powerful partners will become an increasingly vital task.

The second risk confronts the leading economies themselves. The turn inwards could well prove fertile ground for protectionist politics. The introspection of 1992 may mark the ebbing of ambitious international designs for economic co-operation. The danger is that it may yet send the tide flowing in the other direction.

Edward Mortimer

# Behind closed doors

## Governments are conspiring to restrict the right to political asylum in the EC

FOREIGN AFFAIRS

The speaker of the British House of Commons revealed on Monday that the Maastricht treaty is not her favourite bedside reading. She is "only a quarter of the way through". That means, presumably, that she is still wrestling with the bits about economic and monetary union.

Perhaps she should allow herself to skip, like Miss Prism in The Importance of Being Earnest. ("You may omit the chapter on the rupee. It is altogether too sensational.") The sexier bits of the Treaty on European Union are to be found near the end.

I recommend especially Title VI, "provisions on co-operation in the fields of justice and home affairs". This, along with Title V (on foreign and security policy), is one of the two "pillars" of the proposed union which the British government is so pleased to have kept separate from the EC proper: an inter-governmental affair, in which national sovereignty will be preserved. That, indeed, is the main basis of Prime Minister John Major's claim that the treaty marks a reversal of the EC's trend towards ever greater centralisation. It means, in reality, that ministers reckon to decide these matters among themselves, without the intrusion of public scrutiny or debate.

But if Miss Boothroyd turns to Title VI, Article K8, she will find that, if Maastricht ever comes into force, "the Presidency and the Commission shall regularly inform the European Parliament of discussions in the areas covered by this Title". Worse, the presidency is actually to "consult" the parliament, and even ensure that its views are "taken into consideration". The parliament, moreover, will be allowed to put questions or make recommendations to the Council of Ministers; and will be required to hold an annual debate on the progress made.

Under Article K9 the council is empowered, if it unanimously so chooses, to bring the whole caboodle under full EC procedures; and an appended declaration says the council will at least "consider" doing so in the case of asylum policy – the first of the "matters of common interest" covered in Title VI – by the end of 1993.

These provisions will certainly constitute an improvement, in terms of democracy, on the way the asylum issue is being handled now. Last week BBC Radio 4 revealed a "draft resolution on manifestly unfounded applications for asylum", which the British presidency is proposing for adoption by the Edinburgh summit in December. This document, prepared by the "ad hoc group immigration", is dated Brussels, July 1 1992 (the first day of the British presidency) and marked confidential.

The ad hoc group is a purely inter-governmental body after Mr Major's own heart, unsullied by any contact with the Commission, the European Parliament, or indeed national parliaments, let alone the wretched media. Meeting behind closed doors, it has – perhaps not surprisingly – drawn up a policy for closing the doors of Europe on as many refugees as possible. The draft resolution seeks to restrict the right of asylum to those covered by the 1951 Geneva Convention on the status of refugees.

This defines a refugee as a person who "owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group, or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country". It has generally been taken to mean that each individual must demonstrate that he (or she) personally would be targeted for persecution if he returned to his own country. Thus it excludes the great mass of refugees in the common understanding of the term, who are most often people driven from their homes by war.

According to immigration lawyers, even victims of torture or inhuman and degrading treatment are not always held to qualify. Only 25 per cent of asylum applicants in the UK in recent years have been held to fulfil the Geneva criterion; yet only 15 per cent have had their applications rejected outright. The remaining 60 per cent were allowed to remain on grounds other than the Geneva Convention.

### In order to be more generous – or less hard-hearted – west Europeans should share the burden equitably

The draft resolution declares smugly that "those who fear violations of their human rights should if possible remain in their own countries, and seek protection or redress from their own authorities or under regional human rights' instruments". It lays down that "inter-continental movements are seldom necessary for protection reasons alone". Third-world refugees, in other words, should no longer expect to find refuge in Europe. Let them stay in countries neighbouring their own – such as Jordan, for instance, where no fewer than one person in four is recognised as a refugee.

That may seem very callous in that it puts the greatest burden on the poorest countries. But there is a sort of logic to it, in as much as European countries, once they allow in a refugee, can hardly avoid giving him or her the same level of social security as the rest of their population, which in the case of many third-world refugees implies a much higher standard of living than the one they enjoyed at home.

Harder to justify is the draft's insistence that refugees are entitled to asylum only in the first "safe" country they reach. This doctrine will often prevent a refugee from reaching a country where he would be better able to support himself, either because he has relatives there or because he speaks the language.

Of course, the ad hoc group has not made such proposals out of malice. European electorates expect their governments to maintain a tough immigration policy, and that is very difficult to combine with a generous asylum policy. Much is claimed about would-be "economic" (that is, voluntary) migrants who allegedly use asylum procedures to jump the immigration queue. No doubt they exist, and there would be more of them if asylum were made easier to obtain. But even bona fide fugitives can reach unmanageable numbers, or at least numbers that exceed the compassion and hospitality of the resident population.

In Germany that point has been reached, as Chancellor Helmut Kohl acknowledged in his speech on Monday. With an estimated 60,000 asylum seekers arriving this month alone, the time for emergency measures has arrived.

Sadly, a tougher asylum policy is bound to be one of them, and it will have to be a European policy if other EC members wish to retain free movement for their own nationals in and out of the German market. But it should be debated openly, not in hole-and-corner ad hoc groups; and in order to be more generous – or less hard-hearted – west Europeans should be prepared to share the burden equitably, rather than leave the countries closest to the area of conflict to take all the refugees.

They should also recognise that the best place to deal with refugee problems is at source. If they find the rise of xenophobia in Germany alarming, one answer is to do more to stop the war and the systematic expulsions which are forcing people in ex-Yugoslavia to flee their homes. Through the refugee problem, war in the Balkans is gnawing away at west European security.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## VAT charge on food not illogical

*From Mr Michael D Varcoe-Cocks.*

Sir, Mr Poynor (Letters, October 24) considers the logic and consistency of the UK's system of charging VAT on food could have been devised by Lewis Carroll and advocates a uniform rate for food.

Mr Poynor fails to understand the principle behind the zero-rating of most food and the normal (17.5 per cent) rate applied to the rest: unless the food is supplied in the course of catering or consists of snacks or confectionery, it is zero-rated. The logic for charging snacks and confectionery is that they are either not really essential or are luxuries.

With the tens of thousands of food lines available in stores there are obviously going to be some grey areas, but even Mr Poynor's "most whimsical" example of frozen yoghurt is easy to explain. If it can be "spooned when frozen" and eaten immediately it falls within the snack or confectionery category: if it has to be defrosted it falls within the general category of necessary human food and is zero-rated. Equally logical is the taxation of pet food and zero-rating of other animal feeding stuffs: the feeding of livestock is (*pace* vegetarians) necessary to provide food, whereas the keeping of pets is mostly an unnecessary luxury.

A uniform rate – at the 6 per cent implied by Mr Poynor – would be unfair on those who buy little or no snack foods and confectionery and detrimental to the less well-off.

Michael D Varcoe-Cocks,
*5 Brackenbury Road,*
*London W6 0BE*

## Marketing domination that inhibits the small airlines

*From A J Lucking.*

Sir, It comes as a shock to learn from your leader, "Favourite airline" (October 26), that British Airways European fares are cheap. Perhaps they are to the "ENO" (Expense no object) market segment, but the other half resent being forced to pay business class fares by the European flag carriers, now that they have eliminated economy fares on nearly all the routes. Since 1970, the ferries' share of UK business travel to Europe has risen from 11 per cent to 29 per cent, including a sharp 6 per cent rise since the slump started.

Many of the European airlines' costs are about twice US levels, and yet they make a margin of over 15 per cent on the business fares, while losing around 12 per cent in the much larger rear cabins, as a result of excessive discounting. Staff productivity in America and Australia is up to twice European levels.

The reason that the small low-cost airlines have made so little impact is that the "big brothers" dominate the marketing channels. Via incentive ("override") commissions they persuade travel agents to book with them. They meet the fares of the newcomers on the very few routes where they operate, while maintaining their high fare structure on all the other routes ("spoke biasing"). They persuade the hungry small airlines to carry their connecting traffic at less than economic rates. A 1990 Civil Aviation Authority report showed that Dan Air was receiving 16 per cent less than the lowest inclusive tour fare – ie only 20-25 per cent of the on-demand fare – for London-Paris connecting traffic. Big tour operators, particularly when traffic is weak, use their buying muscle to force down the non-public fares charged for big groups. The smaller companies are more vulnerable than the large, which are by no means exempt – an important reason for the losses in their rear cabins.

In his February Brancker memorial lecture, the chairman of the CAA predicted that the Continental flag carriers would not compete for the local European traffic, but only for the "feed" to their profitable intercontinental services. Hence the demise of Dan Air, a truly independent airline, is especially bad news.

A J Lucking,
*20/17 Broad Court,*
*London WC2B 5QN*

## Say nothing – get elected

*From Mr Richard Horsley.*

Sir, It has long been clear that a US presidential candidate needs to be white, male and a millionaire. This year's campaign seems to have added a new entry criterion – the candidate not telling anyone what his policies will be if elected. Mr Perot's recent position in the polls suggests this is positively beneficial.

Does this mean voters have decided that nothing the president does will make any difference to their economic well-being?

Richard Horsley,
*Midsummer House,*
*417 Midsummer Boulevard,*
*Central Milton Keynes*

## Infrastructure, not houses

*From Mr David Brown.*

Sir, I must disagree with Mr A J Gooding (Letters, October 23). I believe that it would be unwise to increase house building at this time. We have never had so many empty houses – the problem in getting people to buy them! The fact is that purchasers are not prepared to pay the asking price for the properties on offer.

What used to be a commendable objective to own your own home had become in recent years a path to untold riches, or so we were led to believe. And it was double MIRAS which helped to fuel this myth. I do not accept that additional tax incentives should be offered.

I believe that property prices must continue to fall until they become affordable. The only other option would be to allow inflation to increase in order to ease the mortgage repayment problem. The high price of property does not relate to the cost of production but to the expectation of capital gains.

Too much of Britain's wealth is tied up in property. However, there are many desperately needed infrastructure projects in the pipeline which would improve our manufacturing ability and provide employment in the construction industry. We should take advantage of the competitive rates on offer.

David Brown,
*302 Ford Green Road,*
*Stoke on Trent ST6 8LS*

## No justice in 'better-off' pensioners subsidising others

*From Mr Paul Baker.*

Sir, If the Institute of Fiscal Studies is flying a kite for the government as it contemplates raiding the piggy bank of the state pension, it must do better than proffer Mr Andrew Dilnot's convoluted logic ("Means to a public spending end", October 19). Seemingly the "better-off minority" with an occupational pension "averaging £65" are to contribute towards topping up flat-rate pensions of £54 a week or £67 for a married couple by foregoing their own state pensions. No mention of course of the tax they will pay on their pension income, nor that they will have paid for their state pension through the National Insurance contributions, which they had every reason to take into account when planning their own pension provision, as indeed, in the case of company pensions, did their employers. Are they to sacrifice their own standard of living and see it depressed to the level of those they are allegedly helping? No doubt they can move house down market and perform a further economic service to the nation and its masters.

Justice, it seems, flies out of the window when the bills for economic incompetence come home to roost.

Paul Baker,
*Knelle Lodge,*
*37 Robin Hill Drive,*
*Camberley, Surrey GU15 1EG*



# OBSERVER

## Alone in the Strand

■ That bespectacled Australian scuttling down the Strand with his face hidden behind a newspaper on Monday was probably Neil Pickard, the New South Wales agent general.

John Fahey, the premier of New South Wales, told parliament in Sydney yesterday that he had dismissed Pickard after receiving "inconsistent and unconvincing" explanations for unauthorised travel in continental Europe last week.

To make matters worse, Fahey had had a spot of difficulty contacting Pickard to convey the news of the termination of his A$200,000-a-year job. It was only when the premier got through to the doorman and conveyed the urgency of his message that his call was returned.

Pickard flies back to Sydney in only slightly more controversial circumstances than those in which he left from down under last year.

The former energy minister came to London courtesy of Nick Greiner, the then NSW premier, after Pickard lost his state parliament seat following an electoral redistribution. But this was rather inconsistent with Greiner's campaign promises to end the "jobs for the boys" syndrome which has long dogged the state, and contributed to Greiner's own downfall earlier this year.

Meanwhile, Fahey's decision not to replace Pickard may unnerve the other four Australian agent generals left in London. Justifying a presence that has more to do with the states' relations with Britain in a bygone colonial age becomes increasingly delicate when the richest and most populous state is willing to let the Australian High Commission do the job.

## Sam's missile

■ Sam Nunn had always seemed to be one of the more down-to-earth members of the US Senate but now the truth can be revealed.

Forced to respond to reports in the Weekly World News, an always reliable supermarket tabloid, the Georgia Democrat admitted this week that he is, in fact, a space alien.

"I confess. It's amazing that I've been able to keep it a secret for 54 years," he said.

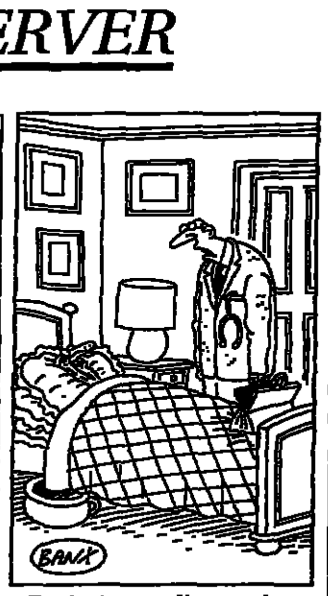
Perhaps Nunn's origins account for the staunch support he has always given, as chairman of the Senate Armed Services Committee, to the "Star Wars" anti-missile defence projects of the Reagan and Bush administrations.

## Quick exit

■ Terry Smith might be a hard act to follow, but you would have thought his successor would have lasted more than 10 days.

UBS Phillips & Drew must have been hoping things were settling down when it handed the ejected Smith's UK research desk to Peter Beck in addition to the continental European counterpart he was already running. But he too is off – to Paribas Capital Markets as head of the rather smaller equity research department.

Smith was fired at the beginning of September after becoming embroiled in a legal dispute with his employers about the publication of his book Accounting for Growth. He and Beck had been sparring partners for a while, and colleagues say Beck had for some time been ogling the UK patch. UBS P&D claims Beck is going for personal reasons, but his departure seems to have mystified senior management.



"Don't start reading any long treaties"

Enter Hector Sants, vice-chairman and head of equities, who will "for the time being" have the research department reporting directly to him. This leaves Bill Seward, who had been overall head of research, in charge of economics and equity markets strategy.

Sants is still bravely claiming the Smith debacle "has done us no damage as far as relationships with institutional clients go". Until senior management acknowledges at least internally that there's a problem, this little saga looks set to run and run.

## Harsh medicine

■ Britons addicted to Christmas pudding, gingernuts and walnut cake should contact their general practitioner urgently for renewed supplies. From next Monday, they'll be getting the cold turkey treatment.

The three delicacies are among 79 substances doctors are to be banned from prescribing under the National Health Service. Announcing the ban, health minister Brian Mawhinney confessed astonishment at some of the remedies the NHS has been subsidising.

Although as fond as anyone of his seasonal plum duff, he says: "I am amazed that some GPs have prescribed Christmas pudding and chocolate digestive biscuits."

## New(s) stable

■ After the hurly-burly of Wapping, Murdoch and The Times, Charles Wilson was no doubt overjoyed, when in 1990, he was asked to be editor-in-chief of Robert Maxwell's Sporting Life.

Sunday For Monday, the horse in which he had a stake along with a bunch of Times journalists, hadn't exactly set the world alight. But Charlie Wilson must have been looking forward to the good life with nothing more exciting in prospect than a steady series of race meetings.

Poor Charlie. It didn't exactly work out like that. First he became editor-in-chief of Mirror Group Newspapers, then he had to handle the world's press when Robert Maxwell went missing from his yacht. Then there was the trauma of the daily revelations of missing money and making sure the papers kept coming out despite all the crises.

Now he is really getting into his retirement by becoming managing director of MGN to chief executive David Montgomery, also a former News International editor.

## Not rushin'

■ Traffic report on Capital Radio: "The traffic this morning is moving more slowly than Boris Yeltsin at a vodka tasting."

FINANCIAL TIMES
Wednesday October 28 1992



US prepares new proposal aimed at solving oilseeds dispute with EC

# Hopes of world trade deal revive

**By David Gardner in Luxembourg and Nancy Dunne in Washington**

HOPES of a final breakthrough in the Uruguay round of world trade talks were rekindled last night after the US signalled to the European Community that it was prepared to look at new ways to resolve a dispute over oilseeds.

The chances of a deal had virtually collapsed at 2am yesterday after Mr Ray MacSharry, EC agriculture commissioner, told Mr Ed Madigan, US agriculture secretary, he could settle the row over EC oilseeds subsidies only inside the framework set by the reform of the Common Agricultural Policy (CAP) agreed unanimously by the Community this summer.

According to senior Commission officials, Mr Madigan had said this would be insufficient to satisfy the powerful US soyabean lobby, and there was therefore nothing further to discuss.

But Mr Madigan later got back in touch with Mr MacSharry to indicate US willingness to bring forward new proposals on oilseeds.

The two lead negotiators are now expected to meet in the US this week to try to secure a political agreement on the Uruguay round.

In the past two weeks of on-again off-again talks between the US and EC, yesterday's development offered the first clear sign a deal may be in sight.

"We are continuing to negotiate to try to find the solution that is politically acceptable to both of us," Mr MacSharry and Mr Madigan agreed to state yesterday.

Mr Frans Andriessen, the EC's external affairs commissioner, said yesterday he was convinced a farm agreement was within reach.

A settlement would pave the way for wide-ranging reform in the 15 trade sectors which the 108-nation General Agreement on Tariffs and Trade (Gatt) has been negotiating for six years.

Failure could unleash a trans-atlantic trade war, with the US threatening to introduce up to $1bn in punitive tariffs on EC food exports. The EC has said it will retaliate if the sanctions are imposed. It appeared yesterday that the US was ready to delay imposing sanctions.

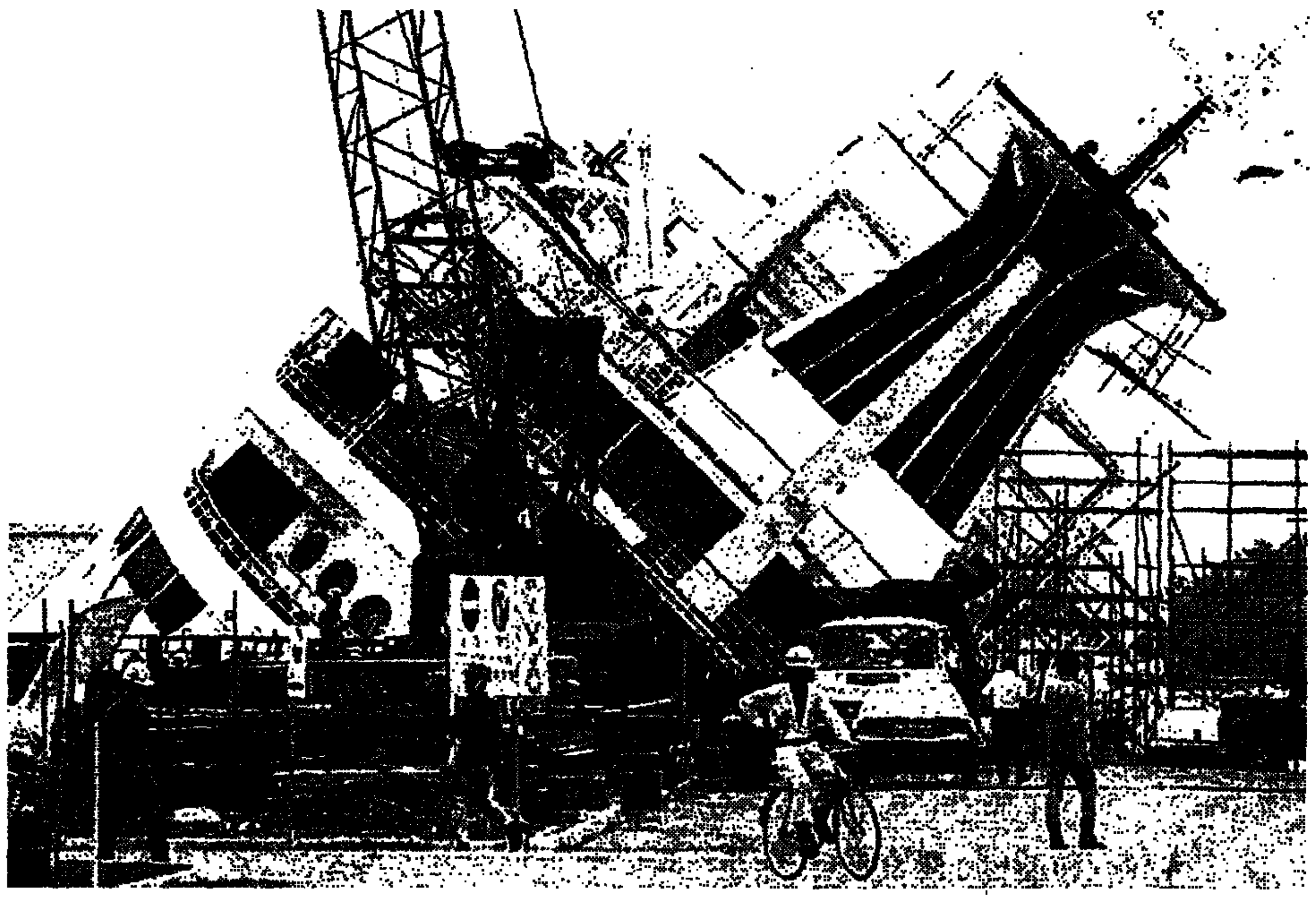
President George Bush made another in a series of election year gifts to farmers. Appearing in Iowa, the nation's largest soyabean and corn producing state, he said the government would buy $100m worth of domestic corn to donate to the former Soviet Union.

Mr Bush is anxious not to upset the farming lobby before the US election next Tuesday. The US Farm Bureau, the influential organisation representing American farmers, has warned the president it will not co-operate with any Gatt agreement that gives away too much on oilseeds.

The US wants the EC to cut its subsidised oilseeds output to 9m tonnes from an expected 11.4m tonnes this year.

Mr MacSharry says the EC can deliver only what is in the CAP reform – the price and production cuts which are now Community law.

The CAP reform should produce cuts on soya output within 500,000 tonnes of what the US wants.



Holiday list: the Russian cruise ship Belorussiya leans on a Singapore dock after entering for repairs. No one was injured

THE LEX COLUMN

# Deflated expectations

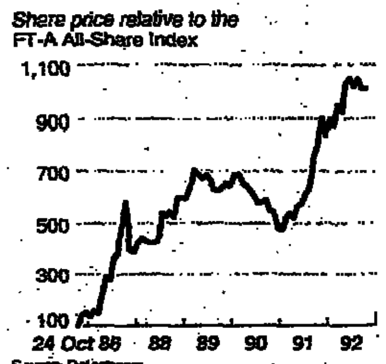
If there is a bright spot in the CBI's latest industrial trends survey it must be the inflation outlook for the UK. Unit costs actually fell for the first time since the survey started 34 years ago, and, in spite of devaluation, more companies expect to cut prices than raise them over the coming quarter. Of course, that just emphasises how depressed the economy is; it would be wrong to assume that the increase in import costs will never feed through into domestic price rises. After a further dip, underlying inflation will probably be heading back up in the second half of next year.

Companies are also taking heart from the export opportunities offered by sterling's fall. But given that the economic prospects for continental Europe continue to worsen, those hopes may be short-lived. That is unfortunate, because companies' investment intentions offer little hope of growth. Companies are embarking on another round of retrenchment, cutting both capital expenditure and labour forces. That leaves the poor consumer, who is as unlikely as ever to go on a spending spree as the threat of unemployment intensifies. It will take more than piecemeal interest rate cuts and jiggery-pokery with the funding rule at the Mansion House speech to get things moving.

FT-SE Index: 2669.8 (+8.2)

Blenheim Group

Share price relative to the FT-A All-Share Index




Source: Datastream

## Blenheim Group

While most empire builders in the media sector have long since collapsed under the combined weight of debt and recession, Blenheim still wears its imperial crown. Yesterday's 32 per cent increase in pre-tax profits was ahead of even the City's best expectations. Borrowing remains moderate and cash flow is positive, thanks to the enviable practice of taking clients' money up to a year in advance. If only advertising agencies enjoyed such favourable terms of trade.

But while expenditure on exhibitions is holding up better than advertising or public relations, Blenheim looks far from recession-proof. Profits in the UK have been flat for three years. With the French and German economies poised to take a steep downward lurch, Blenheim will have to muster all its management skills if the giddy rate of earnings growth is to be maintained. True, its continental European exhibitions tend to be market-leaders rather than the hodge-podge of smaller events in the UK. Even a small fall in revenue from exhibitors, though, will make a serious dent in margins. Overheads were cut again this year, but there is now little fat left on the corporate body.

With cash and contracts already in the bag for next year, growth looks secure in the near term. What happens in 1994 and after is less certain. The market may take some comfort from the fact that the chairman and other directors retain a substantial stake in the business. Even so, a prospective price earnings ratio of 15 times next year's forecast earnings leaves plenty of scope for disappointment.

## Paribas

Paribas has certainly got its comeuppance. Yesterday's embarrassing offer to Italcementi and Mediobanca means the French bank has to hand back FFr500m of the FFr6bn it received for a controlling stake in Ciments Français, as well as subsidising the French cement company's treasury operations. Less financial engineering and more attention to basics like due diligence is the obvious lesson.

The proposed settlement clearly leaves a hole in Paribas' earnings, which in the absence of significant operating profits were always expected to be reliant on capital gains this year. While there may be other deals in the pipeline to fill the gap, the market would still be unwise to expect more than FFr1.5bn.

Such disappointments may already be in the price, but the wider issue is the damage which the episode could do to Paribas' relations with international investors. It may be another sign that the portfolio strategy works well in a bull market, but that it is much harder to carry off with conviction in current market conditions.

## Grand Metropolitan

One could conclude that the interest of GrandMet subsidiary IDV in Gonzalez Byass is a sign that the big drinks companies are scraping the barrel for exciting brands. The UK sherry market, after all, has been in decline for several years, and the scope for converting far-flung tipplers on IDV's international distribution network to even a good name such as Tio Pepe must surely be limited.

It would be wrong, however, to exaggerate the extent to which the world-wide drinks industry has already concentrated. Of the top 100 global spirits brands, for example, only 39 are owned by the Big Four (GrandMet, Guinness, Allied Lyons and Seagram). Their collective reach is rather less in the five main European markets. On the face of it, therefore, investors can expect more deals as small- to medium-sized family proprietors feel the squeeze of a protracted recession.

If the Cinzano model is followed, GrandMet might buy an initial minority stake with a view to ultimate control. It would not do to overpay for GB's largest selling Spanish brandy, though. The locals look to be turning in growing numbers to GrandMet's J & B whisky brand.

## US economy

There is less to third-quarter US growth figures than meets the eye. The 2.6 per cent annual growth rate is arresting, but there are few reasons to suppose that the US economy is about to take off. A healthy increase in consumer spending during the quarter was paid for out of savings rather than increased earnings. The markets also take a jaundiced view of trade statistics in the week before the presidential election. On balance, the current growth estimate is more likely to be revised down than up.

By the time that happens, the figures may seem like ancient history. If Bill Clinton wins next week, attention will be focused on what kind of fiscal measures he will use to stimulate the economy, and what the Federal Reserve's response will be. Even if Mr Clinton decides on a substantial package, though, it will be the second half of 1993 before it has much impact. Given renewed economic weakness, the Fed may decide it cannot wait that long.

# Report adds to gloom on UK economy

**By Emma Tucker and Ivor Owen in London**

BRITAIN'S manufacturing industry could shed 25,000 jobs a month for the rest of the year, the Confederation of British Industry said yesterday.

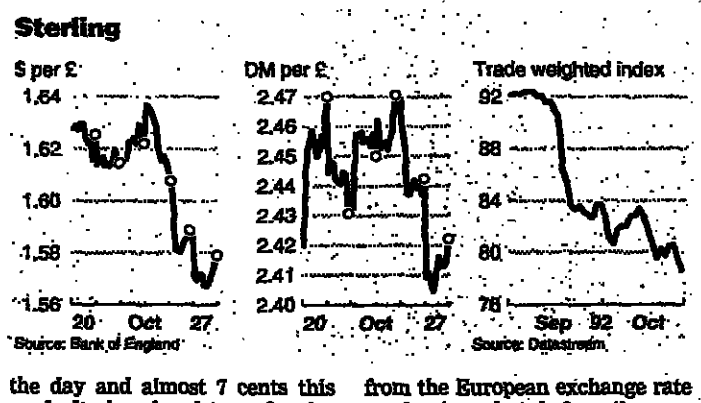
In a survey of more than 1,300 companies, the employers' organisation reported a sharp drop in business confidence and falling output over the past four months which dragged the economy deeper into recession.

The survey showed the respondents remained overwhelmingly gloomy about the general business outlook in spite of a boost to export prospects following sterling's devaluation.

Output fell for the 11th successive quarter, and the CBI expects the UK manufacturing industry to cut 25,000 jobs a month for the rest of the year as orders continue to drop and important export markets contract.

The foreign exchange markets, already nervous about political uncertainty in Britain, reacted sharply to the news. Sterling closed near its three-year low against the dollar in London at $1.5790, down almost a cent on the day and almost 7 cents this week. It also closed two pfennigs lower at DM2.4225.

Sterling




Source: Bank of England
Source: Datastream

Share prices were buoyed by prospects of another cut in interest rates, but gains were tempered by the weakness of the pound, political uncertainty and the pessimistic findings of the CBI survey. The FT-SE 100 share index closed up 8.2 at 2669.6.

The CBI report came a week after a survey by the British Chambers of Commerce said the UK was falling into a "second leg" of recession. It was carried out between September 23 and October 14 – after Black Wednesday when sterling was suspended from the European exchange rate mechanism, but before the second base rate cut. The survey showed manufacturing orders and output continued to fall in the four months to October while investment intentions weakened to their lowest level for more than a year.

Sir David Lees, chairman of the CBI's economic affairs committee, said the lack of confidence among both businesses and consumers justified a further reduction in interest rates.

"But just as important is the need for the government to provide a clear and coherent explanation of its economic strategy now that the pound has been withdrawn from the exchange rate mechanism. That should include a commitment to maintain public spending on capital programmes while bearing down on the cost of providing public services," he said.

Mr John Major, the prime minister, said the survey showed that export optimism was up on July, output expectations were up on September, and that for the first time ever, more companies reported a fall in unit costs than those reporting an increase.

Optimism about exports has risen to its highest level for more than five years, pointing towards improved export growth in the year ahead.

However, the number of firms reporting that political and economic conditions abroad were a brake on exports rose to 36 per cent, the highest level since 1984.

The report also showed that inflationary pressures remain very weak in spite of sterling's depreciation. Expectations of price rises were the lowest for any quarter since October 1966.

Lex, Page 16
Currencies, Page 40

# Anti-Maastricht MPs under pressure

**By Ivo Dawnay, Political Correspondent, in London**

FRESH evidence of a fightback by pro-Europeans in Britain's ruling political party came last night when a group of about 30 Conservative supporters of the Maastricht treaty met to discuss how to help the government in isolating opponents within its own ranks.

Senior members of the Labour opposition privately conceded that if the government sticks doggedly to its hardline stance it will win Wednesday's vote.

They added, however, that the strategy could cause lasting wounds to the Conservative party.

In spite of widespread speculation that Mr Major might withdraw his implicit threat of a general election if the motion falls, officials would offer no comment as to whether an election might be called in the event of a defeat.

Instead, Mr Major appeared to go on the offensive to press his personal commitment to ratification of the treaty and to castigate opposition parties for threatening to oppose a paving motion.

Mr Major rejected the charge by Mr Paddy Ashdown, the Liberal leader, that he had undermined the case for Europe and damaged his credibility by using an implicit election threat to bring his MPs into line.

"What undermines the case for Europe is the manoeuvrings of the Labour leader (Mr John Smith) and you," he replied to jeers from the opposition benches and cheers from his own side of the chamber.

His rigorous rebuff was paralleled by Mr Hurd who used a speech to the European Parliament in Strasbourg to challenge Labour's European credentials.

In language that infuriated Labour's MEPs, Mr Hurd said the opposition's promise to vote against the government next week indicated a "change for the worse" in its attitude.

Later, Mr Major began a series of face-to-face meetings with waverers in his Commons office as Mr Michael Heseltine, trade and industry secretary, held similar talks with doubters.

Conservative party managers are now working relentlessly to persuade, cajole or threaten recalcitrant members to fall into line with Mr Major and back the government position.

## World Weather

| City | | °C | °F |
|---|---|---|---|
| Ajaccio | F | 21 | 70 |
| Algiers | S | 24 | 75 |
| Amsterdam | F | 8 | 46 |
| Athens | F | 24 | 75 |
| Bahrain | S | 30 | 86 |
| Bangkok | F | 30 | 86 |
| Barcelona | S | 21 | 70 |
| Beijing | S | 14 | 57 |
| Beirut | C | 25 | 77 |
| Belfast | C | 5 | 41 |
| Belgrade | S | 13 | 55 |
| Berlin | C | 2 | 36 |
| Biarritz | F | 16 | 61 |
| Bombay | S | 31 | 88 |
| Bordeaux | F | 15 | 59 |
| Boulogne | C | 11 | 52 |
| Brussels | F | 9 | 48 |
| Budapest | F | 9 | 48 |
| Buenos Aires | F | 28 | 82 |
| Cairo | S | 26 | 79 |
| Cape Town | S | 24 | 75 |
| Caracas | | - | - |
| Casablanca † | F | 21 | 70 |
| Chicago † | S | 1 | 34 |
| Cologne | F | 9 | 48 |
| Copenhagen | S | 7 | 45 |
| Corfu | F | 21 | 70 |
| Dallas † | S | 16 | 61 |
| Dublin | S | 7 | 45 |
| Dubrovnik | | - | - |
| Edinburgh | R | 9 | 48 |
| Faro | F | 19 | 66 |
| Florence | F | 13 | 55 |
| Frankfurt | R | 9 | 48 |
| Geneva | C | 10 | 50 |
| Gibraltar | S | 22 | 72 |
| Glasgow | C | 4 | 39 |
| Helsinki | Sn | -4 | 25 |
| Hong Kong | S | 26 | 79 |
| Innsbruck | C | 7 | 45 |
| Inverness | F | 4 | 39 |
| Islamabad | F | 26 | 79 |
| Istanbul | F | 16 | 61 |
| Jakarta | R | 32 | 90 |
| Johannesburg | S | 25 | 77 |
| Lisbon | F | 20 | 68 |
| London | R | 11 | 52 |
| Los Angeles † | F | 17 | 63 |
| Luxembourg | C | 5 | 41 |
| Madeira | C | 20 | 68 |
| Madrid | F | 15 | 59 |
| Majorca | S | 22 | 72 |
| Malaga | S | 23 | 73 |
| Malta | S | 25 | 77 |
| Manila | C | 32 | 90 |
| Melbourne | S | 17 | 63 |
| Mexico City | C | 22 | 72 |
| Miami † | S | 21 | 70 |
| Milan | F | 16 | 61 |
| Montreal † | C | 3 | 37 |
| Moscow | Sn | -3 | 27 |
| Munich | R | 7 | 45 |
| Nairobi | | - | - |
| Naples | C | 19 | 66 |
| Nassau | F | 29 | 84 |
| New Delhi | S | 30 | 86 |
| New York † | S | 9 | 48 |
| Nice | S | 19 | 66 |
| Nicosia | S | 24 | 75 |
| Oporto | R | 15 | 59 |
| Oslo | C | 2 | 36 |
| Paris | C | 10 | 50 |
| Prague | F | 5 | 41 |
| Reykjavik | F | 3 | 37 |
| Rhodes | F | 24 | 75 |
| Rio d'Janeiro | F | 37 | 99 |
| Rome | F | 20 | 68 |
| Salzburg | S | 9 | 48 |
| S'Francisco † | F | 14 | 57 |
| Seoul | S | 16 | 61 |
| Singapore | | - | - |
| Stockholm | S | 1 | 34 |
| Strasbourg | R | 6 | 43 |
| Sydney | F | 18 | 64 |
| Taipei | C | 23 | 73 |
| Tangier | C | 19 | 66 |
| Tel Aviv | F | 26 | 79 |
| Tenerife | S | 23 | 73 |
| Tokyo | S | 21 | 70 |
| Toronto † | F | 3 | 37 |
| Tunis | S | 27 | 81 |
| Valencia | S | 23 | 73 |
| Venice | S | 17 | 63 |
| Vienna | F | 8 | 46 |
| Warsaw | C | 3 | 37 |
| Washington † | F | 13 | 55 |
| Zurich | R | 5 | 41 |

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES

# COMPANIES & MARKETS

Wednesday October 28 1992





## INSIDE

### SME share rise prompts suspension

Shares in SME, the Italian foods, retailing and catering group controlled by the IRI state holding company, were suspended yesterday after sharp fluctuations in recent days on rumours it might be privatised. The movements in SME's stock, which surged 5.8 per cent on Monday, prompted Consob, Italy's companies and stock market watchdog, to demand a suspension pending clarification from the group. Page 20

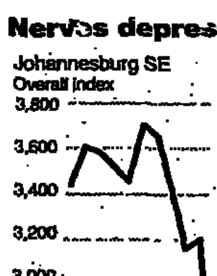
### Accounting watchdog barks

Decisions in the past two weeks by the Financial Reporting Review Panel, the UK's accounting standards watchdog, have provided lessons in the way the body is beginning to operate. Page 26

### Rain revives Indonesian rice

*The rains have fallen early in Indonesia* this year, calming fears that the country, once the world's biggest importer of rice, might go short of rice. Estimates for the 1992 crop have increased, and the World Bank is forecasting production surpluses next decade. Page 28

### Nervous depress Johannesburg




Fragile international equity markets, poor growth prospects and a gloomy domestic political scene have created a nervous mood on the Johannesburg Stock Exchange (JSE). The overall index is 19 per cent off its high for the year, the industrial index is 15 per cent off its year high, while the gold index recently hit a seven-year low. Analysts expect further falls in the short term. Back Page

### Bronfmans sell savings and loan

Royal Trust, the Canadian financial services group controlled by Toronto's Bronfman family, has sold Pacific First Financial, its Seattle-based network of former savings and loan institutions, to Washington Mutual Savings Bank of Seattle for US$663m. Page 21

### Stockholm SE to go private

The Stockholm Stock Exchange broke new ground when it announced plans to privatise and operate on a fully commercial basis from *January 1. The move is part of a wider* shake-up that will remove the bourse's monopoly over share trading. Page 20

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Colonia Konz | 740 | + | 20 |
| Philips Kommun | 520 | + | 20 |
| Porsche | 485 | + | 30 |
| Schering | 719.5 | + | 21.5 |
| **Falls** | | | |
| Aachen | 825 | – | 25 |
| Dragerwerk | 255 | – | 8 |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Bancaire Cie | 372.5 | + | 15.5 |
| Dollfus | 300 | + | 27.2 |
| Ecco | 333 | + | 16.9 |
| Gal Lafay | 1900 | + | 130 |
| **Falls** | | | |
| Geophys | 631 | – | 29 |
| Paribas | 330.5 | – | 12.5 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Northern Tel | 36½ | + | 1⅝ |
| RJR Nabisco | 8¼ | + | ⅛ |
| **Falls** | | | |
| Xerox | 78 | – | 2¼ |
| Gen Motors | 32⅜ | – | 1⅞ |
| IBM | 65¾ | – | 1¾ |
| El Paso Refinery | 2⅜ | – | 1¼ |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Daimei Telecom | 589 | + | 39 |
| Japan Medical | 935 | + | 89 |
| Nikkon Chems | 1160 | + | 70 |
| Sonton Food | 1080 | + | 70 |
| **Falls** | | | |
| Ichikawa Wool | 381 | – | 39 |
| Seitsu | 376 | – | 24 |

**LONDON (Pence)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Falls** | | | |
| Blenheim | 533 | + | 13 | BAT Inds | 875 | – | 17 |
| Brown & Tawse | 62 | + | 4 | Bisa | 22 | – | 1½ |
| First Nat Fin | 33½ | + | 3½ | Brit Airways | 295½ | – | 9½ |
| Glaxo | 803 | + | 19 | Brit Steel | 52½ | – | 3½ |
| HSBC | 504 | + | 19 | Ferrum | 24 | – | 8 |
| JIB | 161 | + | 14 | Graseby | 146 | – | 11 |
| Midlands Elec | 419 | + | 13 | Greenalls | 324 | – | 9 |
| Mowlem (J) | 67 | + | 6 | Levercrest | 21 | – | 18 |
| Unilever | 1109 | + | 15 | Shoprite | 552 | – | 30 |
| WPP | 41 | + | 5 | | | | |

SEC chairman condemns proposal as 'imprudent' ■ Chance of agreement recedes

# Breeden opposes Iosco capital standard

By Robert Peston and Tracy Corrigan in London

THE likelihood of agreement being reached on an international standard for the capital to be held by securities firms and banks *receded sharply yesterday*, when Mr Richard Breeden, chairman of the US Securities and Exchange Commission, said he was implacably opposed to the current proposal.

Mr Breeden said the proposal – which is supported by the Securities and Investments Board of the UK – was "imprudent in the extreme" and it would be better if agreement was "never reached" than to accept the proposals.

Mr Breeden is chairman of the technical committee of the International Organisation of Securities Commissions (Iosco), whose annual meeting is taking place in London. There is an emergency meeting of the technical committee this morning.

Mr Breeden said the SEC had tested the proposals to see what would have happened if they had been in force during Black Monday in October 1987, when share prices fell more than 22 per cent. "Several big securities firms would have collapsed," he warned.

The Iosco proposals have already been enshrined in a European Community capital adequacy directive (or CAD), to be followed by all EC-based securities firms. "The levels of capital under the CAD are highly unsafe," he said. "I am not sure *the public understands that*."

The dispute between the SIB and the SEC hinges on the extent to which a securities firm should be able to reduce the capital it carries, to cover the risk of losses on a portfolio of equities, by hedging that portfolio.

Mr Breeden also pointed to a second reason why an international standard was unlikely to be agreed. Any standard would be applied by Iosco members and the bank regulators *grouped in* the Basle Committee on Bank Supervision.

Mr Breeden said Iosco members were united in opposition to the Basle committee's position on the capital to be applied to holdings of bonds and debt securities, as opposed to equities.

Under the Basle proposals, banks' holdings of bonds for investment purposes – as opposed to their trading books – *would be excluded from any capital* requirement, but Iosco opposes this distinction and says that capital should be required for all bond holdings.

Details, Page 24

# Market takes aim at the Old Lady

**James Blitz** on criticisms of the Bank of England's way of providing cash to the sterling money market

These are tough times for the Old Lady of Threadneedle Street. The Bank of England has been sharply criticised by politicians and the press for its handling of the sterling crisis and the BCCI affair. Now, a growing chorus of complaint can be heard about another area of the Bank's activity: the method by which it provides cash to the sterling money market.

*The provision of cash to the* banking system is one of the Bank's most important roles. The daily injection of sterling into the money market ensures commercial banks have adequate liquidity for their operations. The rate at which the Bank sells cash also sets the level of base rates throughout the banking system.

But, in recent weeks, money market dealers have criticised the Bank's method of providing liquidity as antiquated and unsophisticated.

Two specific complaints are voiced. First, that the Bank was unable to check the heavy selling of its currency during the recent foreign exchange turmoil by raising money market rates. Secondly, that it has been unable to stop short-term money market *rates rising as high* as 100 per cent since sterling's devaluation on Black Wednesday, September 16, forcing some banks to pay a very high premium to borrow money.

"The Bank's money market operations are creaking at the seams," says Mr Mark Brett, an economist at Barclays de Zoete Wedd in London. "And a lot of people say that the system needs to be changed."

The first charge against the Bank focuses on its inability to defend sterling in the run-up to "Black Wednesday".

Critics say that the Bank of England's operations did not enable it to defend the currency with the same credibility that was enjoyed by the Bank of France.

In the face of huge selling of the French franc, the Bank of France avoided raising the key "intervention rate", through *which some 90 per cent of bank* refinancing is done.

Instead, it raised rates in the 5-10 day lending window, through which a small proportion of the banking sector is funded, by 1.5 percentage points.

## 'A lot of people say the system should be changed'

This convinced speculators that the Bank was determined to tighten policy and defend the currency without passing the costs *of higher rates on to corporates* and the private sector. However, the Bank of England did not enjoy the same flexibility. Its only means of scaring speculators was a vain attempt to raise *interest rates on short-dated bills*, instantly putting up base rates. This was ineffective.

"The rise in base rates to 15 per cent on Black Wednesday had no credibility with foreign exchange dealers because it dealt a devastating blow to corporates and the household sector," says Mr John Shepperd, an economist at S.G. Warburg securities. "Effectively, the Bank has a single sledgehammer with which to crack every nut."

That inflexibility is now being blamed for a problem that has surfaced since Black Wednesday: the sharp fluctuation in short-term sterling rates, making the market an uncertain environment for traders.

*The rate for overnight lending* in the interbank market has ranged between 10 per cent and 100 per cent since last Friday. This is due to the large shortage of cash in the system following the Bank's purchases of sterling on the foreign exchanges last month, estimated at £15bn.

According to one money market dealer, the volatility in rates is undermining overseas confidence in London as a financial centre. "Why should any overseas investor wish to trade in sterling when he has no idea what rate he will pay to borrow it on any given day?" he said.

Critics say the Bank cannot bring rates down because it is hindered by two faults in the system:

● The discount houses, which *are specialist banks acting as intermediaries* between the monetary authorities and the banking system, say the shortages are aggravated because the Bank has allowed their traditional role as *providers of liquidity to be* eroded.

Up to the end of the 1980s, most commercial banks had to deposit 6 per cent of their stock of bills with discount houses in the form of a subscription fee known as "club money".

Clearing banks are now being allowed to ignore that rule and are building up large stocks of these bills, leaving less liquidity among commercial banks and building societies. The discount houses believe the Bank should reinforce the club money rule.

● The Bank is unable to inject short-term funds into the market because this would be interpreted by dealers as signalling a base-rate cut. In recent months, the Bundesbank has successfully controlled money-market rates by *injecting or draining short-term* funds from the system, while leaving its officially posted rates unchanged.

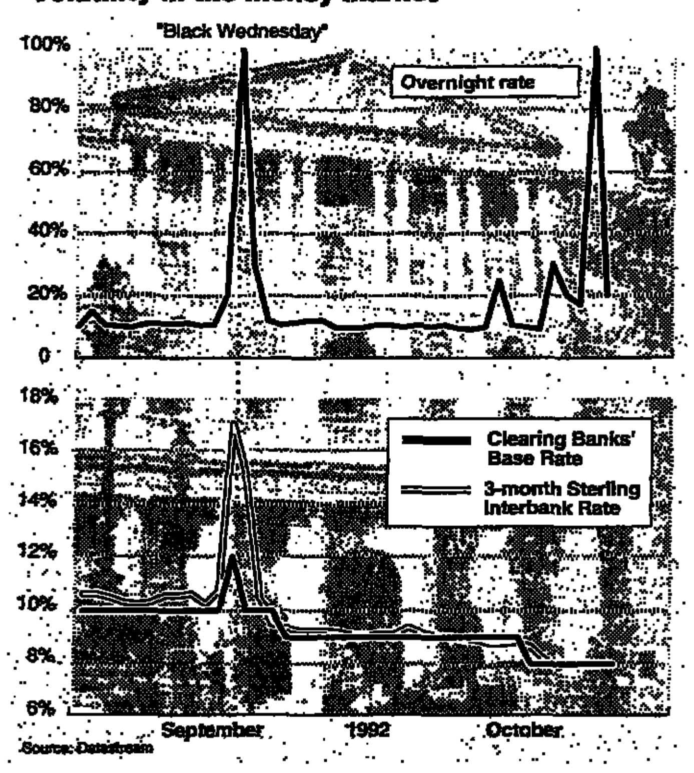
The Bank of England cannot *do the same because it* controls money market rates and base rates via the same operations. In the current political climate, dealers are expecting base rate to be cut to 6 per cent at any time, and the Bank cannot inject funds to bring down money market rates without signalling a base rate cut as well.

The Bank of England is standing firmly by its system. It acknowledged yesterday that the French have a wider variety of instruments with which to set rates than the British.

But a Bank official argued that the Bank of France avoided passing the costs of higher lending rates on to the private sector because of its huge shareholding in the French banks, putting pressure on bank chiefs not to *raise base rates*. "Their market is less perfect," he said.

The official also argued that overnight rates were high in spite of its preparedness to offer cash to the market to meet the *shortage. Dealers are not* prepared to sell bills to the Bank at current rates, thinking there will be a base rate cut. "The overnight rate has been up at high levels because the market has been in a fever pitch about a base rate cut that never came," he said.

**Volatility in the money market**




# Japanese electronics groups in fresh cuts

By Steven Butler in Tokyo

JAPAN'S big electronics companies – including Matsushita Electric Industrial, Mitsubishi Electric, Toshiba, NEC, Fujitsu, and Hitachi – yesterday cut capital spending plans further after reporting dismal interim results in the half year to September, with declines in parent-company pre-tax profits between 39 per cent and 87 per cent.

On a consolidated basis, Fujitsu, the world's second biggest computer company, slipped into the red, posting a pre-tax loss of Y7.5bn ($61.47m), and a net after-tax loss of Y19.2bn, the first net loss in its history.

The decline reflects the sharp *slowdown of consumer spending* in Japan, cuts to capital investment, manufacturing overcapacity which has led to intense price competition, and appreciation of the yen.

Profits have also been undermined by heavy capital spending, which ended last year. Electronics companies are now having to make depreciation charges to pay for new manufacturing facilities.

All the companies announced further cuts to current year capital spending yesterday, with the exception of Toshiba, which *announced cuts earlier. Benefits* of reduced spending will begin showing in the accounts next year, although they are likely to chill the economy further.

Some companies have successfully cut costs, reduced overtime, and ended lines of slow-selling products. Matsushita said it would cut directors salaries by 10 per cent.

The companies were pessimistic about prospects for recovery in the second half.

Details, Page 23

# Bristol-Myers Squibb sells Drackett unit for $1.15bn

By Karen Zagor in New York

BRISTOL-MYERS Squibb, the world's third-biggest pharmaceuticals company, *is selling its* Drackett household product business for $1.15bn in cash to S.C. Johnson & Son, a privately held consumer products company.

Bristol-Myers announced in *July it intended to sell Dracket in* a move to sharpen its competitive edge in the drugs industry.

Drackett contributed about $600m to Bristol-Myers's $11.2bn 1991 sales. Analysts had expected the business to fetch about $1bn to $1.25bn.

Shares in Bristol-Myers rose $¼ to close at $66⅝, but disappointment with its performance this year has driven the company's share price down from a 52-week high of $90¼.

Bristol-Myers's place in the changing pharmaceuticals market is unclear. The company reported profits growth of only 5 per cent in the first nine months *of this year, against Merck's* 17 per cent improvement in the same period.

Mr Viren Mehta, partner at Mehta and Isaly in New York, said: "Drugs companies need to *be able to maintain a high-risk* high-profit pharmaceuticals business. The Drackett sale will free up the management resources to concentrate on pharmaceuticals."

Drackett's products, including Windex and Drano, have a strong presence in the consumer products market, but sales for the business have been flat to lower this year, and its marketing costs are high.

The Drackett sale leaves Clairol as Bristol-Myers's largest non-pharmaceuticals business. Mr Mehta expects the company eventually to divest Clairol, "but Bristol-Myers management comes from Clairol and there's probably *a sentimental attachment to it*".

Bristol-Myers expects to record a substantial special gain from the sale.

The Drackett acquisition will strengthen S.C. Johnson's posi*tion in the home-care industry*. The company has annual sales of about $3.3bn. Its products include Pledge, Shout and Raid. Johnson plans to divest Drackett's consumer furniture care and air freshener brands, which are product lines where it already has a strong market presence.

Standard & Poor's, the US ratings agency, yesterday cut its ratings on S.C. Johnson's commercial paper and senior debentures to reflect the additional debt to cover the purchase.

# Paribas offers to repay Italcementi

By Alice Rawsthorn in Paris

PARIBAS, the French investment *bank, has offered to repay* FFr500m ($97m) of the FFr6bn it received for the sale of a controlling stake in Ciments Français to Italcementi, the Italian cement group.

The settlement, which would be shared with Mediobanca, the adviser to Italcementi, follows the discovery by Italcementi of FFr1.05bn in off-balance sheet *financial dealings at Ciments Français*.

Italcementi did not formally accept the offer but the two sides have been working closely on *terms for a settlement*.

Ciments Français yesterday disclosed that the dealings had cost it FFr655m in exceptional losses during the first six months of this year, triggering a fall from net profits of FFr113m in the first half of 1991 to a net loss of FFr740m in the same period of 1992.

Mr Bernard Laplace, who took over as chairman this month after the resignation of Mr Pierre Conso, said the off-balance sheet dealings had taken place without the knowledge of Ciments Français' board or auditors, between January 1 1989 and September 30 this year.

He said the proceeds had been *used to finance its expansion in* Spain and Portugal. However, the cost to the group in the first half was composed of FFr251m in direct losses and FFr404m of financial costs.

Dealings in the shares of Guintoli, a construction company associated with Ciments Français, were responsible for between FFr250m and FFr350m of the off-balance sheet transaction. Paribas declined to comment on French press speculation that it might make an offer for Guintoli as part of an agreement with Italcementi and Mediobanca and that it would take on part of Ciments Français' off-balance sheet liabilities.

Under their agreement Paribas and Italcementi would provide loans of FFr300m to Ciments Français to recapitalise the company which, even before disclo*sure of exceptional losses*, was suffering from the depressed European construction market. Without the exceptional debit Ciments would have made a loss of FFr85m in the first half of this year on turnover which slipped from FFr7.97bn to FFr7.57bn.

Paribas' shares yesterday fell FFr12.5 to FFr330.5.

Lex, Page 18

# GBL seeks alternative solution to bid for BBL

By Andrew Hill in Brussels

GROUPE BRUXELLES Lambert (GBL), the Belgian holding company, is still searching for an alternative solution to the likely Dutch bid for Banque Bruxelles Lambert (BBL), the bank in which it has a 13 per cent stake.

GBL yesterday also announced that its consolidated profit for the first half of 1992 had slipped to BFr5.03bn ($158m) from BFr6.01bn.

Excluding capital gains and exceptional results, profit was almost static at BFr2.98bn compared with BFr2.91bn last year.

The holding company is at the centre of speculation over the future of BBL, the accounts of which are being examined by Internationale Nederlanden Groep (ING), a Dutch banking and insurance company which wants to make a full bid for the bank.

Some 24 per cent of BBL is directly or indirectly controlled by GBL, which believes the proposed offer of BFr3,600 a share undervalues the bank. GBL said yesterday that it did not want to predict now what its attitude might be if a bid were launched.

The company said its results had been affected by several elements, including the drop in profits at Petrofina, the Belgian oil company, in which GBL has a 20 per cent stake, although this was compensated by profit increases from other portfolio companies, most notably CLT, the Luxembourg-based media group.

GBL warned against attempting to estimate the full-year performance from half-year figures which are affected by the seasonal nature of some of the portfolio revenue.

"Excluding capital gains, the 1992 result should be about the same as that of last year," the company said.

In 1991, GBL announced overall consolidated profits of BFr7bn, against BFr5.7bn in 1990.

# SME shares suspended as rumours spark rally

By Haig Simonian in Milan

SHARES in SME, the Italian foods, retailing and catering group controlled by the IRI state holding company, were suspended yesterday after sharp fluctuations in recent days on rumours it might be privatised.

The movements in SME's stock, which surged 5.8 per cent to L4,738 on Monday, prompted Consob, Italy's companies and stock market watchdog, to demand a suspension pending clarification within the day.

Yesterday evening, IRI, which owns 62 per cent of SME, denied the conclusion of any negotiations on the sale of all or part of its stake, or on the disposal of any SME subsidiaries.

In a separate letter to Consob, SME confirmed that negotiations on disposals were limited to its sweets division. The activities concerned are already run as joint ventures with private-sector companies. Following the information, Consob said trading in SME's stock would resume today.

However, the denials are unlikely to deflate speculation about the group's fate. SME, which made net profits of L42.8bn ($34m) on sales of L2,961bn in the first half of this year, is one of Italy's most attractive privatisation candidates.

The group controls GS, a leading supermarket chain, while its food production division owns a number of familiar branded products, such as Bertolli vegetable oils and Cirio tinned vegetables. SME's Italgel frozen foods division has also been regularly courted by leading multinationals in the sector.

Last weekend, Ferruzzi, the private sector agro-industrial group, entered the fray following comments by Mr Carlo Sama, a senior executive, that it would be interested in acquiring some of SME's brands. There have also been rumours of a takeover, possibly engineered by Mr Raul Gardini, the former Ferruzzi head.

# Stockholm SE privatisation plan

By Christopher Brown-Humes in Stockholm

THE STOCKHOLM Stock Exchange yesterday broke new ground when it announced plans to privatise and operate on a fully commercial basis from the start of next year.

Mr Bengt Ryden, the exchange's president, said: "It is probably a unique international event to have a stock exchange publishing a prospectus for its own privatisation."

The move was first signalled by the Swedish government earlier this year and is part of a wider shake-up which will remove the bourse's monopoly over share trading from January 1 1993.

Mr Ryden said the exchange's new status would improve efficiency and ensure it was well placed to respond to competition.

A new share issue will form part of the conversion process, raising SKr30m ($5m) through the issue of 250,000 shares at SKr120 each.

The 350 companies and other organisations associated with the exchange are being given the opportunity to become its new owners, with allocations being carried out on the basis of the sum of exchange fees paid since 1988.

This will result in the largest owners being the leading banks – SE Banken, Nordbanken and Handelsbanken – Volvo and the Swedish National Debt Office, with a combined holding of more than 30 per cent.

Next year there will be some restrictions on trading in the new shares, but from 1994 they will be freely tradeable.

Like many of the companies it lists, the performance of the bourse will from now on be measured in terms of ratios and rates of return.

To help eligible investors make up their minds, it indicated that pro-forma profits for 1992 would amount to SKr10m. The price/earnings ratio is 4.2 and the equity/assets target is 40 per cent. There will be no dividend this year.

It also warned that "during the next few years, considerable investments in information technology are anticipated." The first hint of a rights issue?

● Procordia, the Swedish pharmaceutical and food conglomerate, is bidding for the minority shares in Pierrel, the Italian pharmaceutical group.

Procordia, which already owns 72 per cent of Pierrel, is offering just over SKr100m ($17m) for the rest of the company. This equates to L2,150 for each voting share and L1,150 for each non-voting share.

Earlier this year, Procordia paid SKr500m, or L2,650 per voting share, to buy its current stake from Fermenta, the Swedish industrial group.

Pierrel's voting shares were trading at around L1,600 and its non-voting shares at around L600 when they were suspended, pending yesterday's announcement, on the Milan and Turin stock exchanges last week.

The formal tender for the shares will take place between November 4 and 11.

# Peregrine increases Invesco stake

By Simon Davies in Hong Kong and Norma Cohen in London

PEREGRINE Investments, the aggressive Hong Kong securities house backed by Mr Li Ka-shing, the colony's richest man, has taken a 14.9 per cent stake in Invesco MIM, the UK fund management group.

It purchased 4.4 per cent of Invesco MIM earlier this year, and on Monday acquired a further 10.5 per cent for £19.7m ($32.11m).

Meanwhile, it emerged yesterday that most of the shares came from portfolios managed by Invesco MIM itself. Some 18m shares in discretionary client portfolios managed by Invesco MIM were sold through brokers Smith New Court yesterday at 77p per share when the market price was 70p. However, Invesco was apparently unaware of the identity of the purchaser when it agreed the sale.

Invesco was approached directly because its US-based chairman Mr Charles Brady had earlier made it known that he wished to sell the Invesco shares purchased under his predecessor Lord Stevens' tenure for discretionary client accounts. As of the end of last year, clients owned 7.9 per cent of the company, a practice which earned it much criticism from analysts.

Invesco, whose share price has been hard-hit by mismanagement within its UK operations, yesterday declined to comment on the stake. Senior management is said to be inquiring into whether the stake was purchased as a corporate investment or on behalf of Peregrine's own fund management clients.

Mr Frances Leung, Peregrine's managing director, said Peregrine was not considering a bid for Invesco MIM, but would not rule out further share purchases.

Analysts discounted the possibility of a hostile bid for Invesco, noting that to do so would undermine its client relationships. "Under US Erisa [pension fund] laws, clients must agree to a change of ownership of their fund manager," said Mr Phillip Gibbs, analyst at Barclays de Zoete Wedd. However, Invesco had mismanaged its balance sheet, and the slide in its share price has made them cheap given the fee income generated by the £30bn of funds it manages worldwide.

However, senior executives at Invesco privately doubt the share purchase merely reflects Peregrine's desire for joint enterprises.

# Blenheim rises 31% on French growth

By Angus Foster in London

BLENHEIM Group, the fast-growing organiser of exhibitions, yesterday announced higher than expected profits, helped by growth in France, its most important market.

Blenheim reported a 31.8 per cent increase in pre-tax profits from £28.3m ($46.12m) to £37.3m in the 12 months to August 31. The company is changing its year-end and will report final results for the 16 months to December 31.

Analysts expected profits of £34m, and the shares added 13p to 533p on the London stock exchange. Mr Neville Buch, chairman, said the results were "very positive".

Turnover increased 25.5 per cent to £153.3m, helped by a £13.5m contribution from the biannual Batimat building supply exhibition, held in France last November.

The proportion of operating profits from France almost doubled to 53 per cent, or £24.6m. This was due to the timing of occasional events like Batimat, which make geographical and timing comparisons unreliable.

Profits in the UK fell 7.2 per cent to £7.7m as recession affected the company's smaller shows and housing-related exhibitions. US profits fell 13 per cent to £12.7m, although Mr Buch said the market was resilient, and re-bookings by exhibitors stood at 85 per cent.

Exhibition space sold in the 12 months rose 12.1 per cent to just over 1m square metres. But there were some signs Blenheim's growth may be slowing. After announcing interim profits ahead 51 per cent to £27.8m, profits in the second six months fell to £9.5m, almost unchanged on the comparable period.

Net borrowings increased from £23.8m to £39.6m due to acquisitions. Interest costs increased 25 per cent to £6m. But interest cover improved to more than seven times, thanks to the rise in operating profits.

Because most of the company's assets are intangible, and not included on the balance sheet, Blenheim has negative shareholders' funds of £100.6m. If intangibles are included, gearing increased slightly to 17 per cent.

Earnings per share increased 15.4 per cent to 27.8p. The company is proposing a second interim dividend of 6.3p to make a total of 9p, a 14.9 per cent increase.

Blenheim announced that it had pulled out of Belgium, leading to extraordinary costs of £3.8m over two years. Mr Buch said the company's small Belgian operations had failed to secure a critical mass. "In retrospect, we probably should not have gone in there," he said.

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# Canal Plus revenues climb 19%

CANAL PLUS, the French paid-for television group, lifted consolidated revenues for the first nine months of the year by 12 per cent to FFr5.77bn ($1.1bn) from FFr5.16bn in the same period a year ago, AP-DJ reports from Paris.

Subscription revenues rose 9.7 per cent to FFr4.75bn, while advertising income was up 41.6 per cent to FFr286m.

The company's Antennes Tonna unit saw revenues fall by 27 per cent from the year-ago period, but Le Studio Canal Plus revenues were up 50 per cent to FFr176m.

The company said the net increase in subscriptions was 128,000 for a total of 3.47m households. Of these, 56,000 received in the intermediary high definition D2MAC broadcasting standard.

Foreign subscriptions increased strongly, notably in Belgium where the number increased 65.5 per cent, in Spain where there was a strong 142.2 per cent rise, and Germany where the total advanced 89.7 per cent.

# Hershey Foods withdraws Freia Marabou bid

HERSHEY Foods, of the US, has withdrawn its bid to acquire Freia Marabou and will sell its 18.6 per cent interest in the the Norwegian chocolate and confectionery group to Kraft General Foods, a subsidiary of Philip Morris, AP-DJ reports from New York.

The decision follows the recent announcement that Kraft had won control of more than 75 per cent of the Norwegian group's capital in response to its $1.5bn takeover offer.

The Kraft offer is conditional upon government approval, which is not expected for several months.

If concluded, the transaction would result in Hershey receiving an after-tax gain of about $40m at current exchange rates.

## COMPANY NEWS IN BRIEF

● Metra, the Finnish diversified industrial company, is looking for foreign investors to subscribe for its planned loan of a maximum amount of FM700m ($144m), Reuter reports from Helsinki.

The board is to ask an extraordinary shareholders' meeting on November 5 for the right to issue the loan, said Mr Klaus Gronbarj, executive vice-president. The issue would be considered as equity, he said.

● Lafarge-Coppee, the French cement and building materials group, holds 91 per cent of the votes and 85 per cent of capital in Swiss Cementia after its bid for the minority shareholdings, Reuter reports from Zurich.

Union Bank of Switzerland (UBS), managing the swap offer for Lafarge, said that the offer had been extended beyond its scheduled October 28 expiry, until November 11. Lafarge held 53 per cent of Cementia's capital and 73 per cent of votes before the bid.

# Royal Trust retreats from US

By Bernard Simon in Toronto

ROYAL TRUST, the Canadian financial services group controlled by Toronto's Bronfman family, has retreated with a bloodied nose from the US by selling its Seattle-based network of former savings and loan institutions.

Washington Mutual Savings Bank of Seattle will pay Royal Trust US$663m for Pacific First Financial, which operates 134 branches in three western US states and has assets totalling $6.5bn.

However, the Canadian company will take over $600m to $700m of Pacific First's real estate loan portfolio as well as investments in markets where Washington Mutual has no presence.

About one-third of the loans are non-performing and are expected to be liquidated over the next four years.

Royal Trust has agreed to buy up to $150m of preferred shares in Washington Mutual as part of the capital which the US group plans to raise to finance the purchase of Pacific First.

Royal said it would take writedowns totalling C$75m ($60.4m) as a result of the sale. This includes C$55m for goodwill and C$20m in loan loss provisions. Royal's total investment in Pacific First was US$691m.

Royal Trust bought a string of savings and loan companies in 1989 and 1990 and later stitched them together into Pacific First as part of an ambitious international expansion. While Royal Trust has a strong presence in Canada, its experience outside the country has largely been an unhappy one.

Besides selling Pacific First, it has spun off or closed most of the businesses it acquired in its 1986 purchase of Dow Chemical's financial services business.

Mr Michael Cornelissen, Royal Trust's chief executive who spearheaded the thrust into foreign markets, recently announced that he was leaving his job.

● Mr Kerry Killinger, Washington Mutual chairman and chief executive, said the bank expected the deal to lift earnings and lower its non-performing assets ratio, Reuter adds from Seattle.

"We've indicated in our schedules that the asset quality that we're bringing across should be excellent," Mr Killinger said.

The size of Pacific First's possible problem loans had been considered a potential obstacle to sale of the bank.

# Zenith Electronics cuts payroll by 2,600

By Laurie Morse in Chicago

ZENITH ELECTRONICS yesterday reported a third-quarter loss of $41.8m and said it would lay off 2,600 employees, or 15 per cent of its US workforce.

The Chicago-based manufacturer also said it would cut operations and jobs at its television plant in Mexico as part of its restructuring.

In light of the third-quarter loss, the company said it was reconsidering a proposed public offering of 8m shares of common stock, announced in August.

The third-quarter loss was equal to $1.42 a share and compared with a deficit of $1.5m, or 5 cents, the third quarter last year. The third-quarter results include a special $23m charge for severance and restructuring costs, and a $2m tax credit.

Third-quarter sales fell to $313m, from $344m in the same 1991 quarter. The company said its slow response to industry price cuts for colour TVs and start-up costs at its Mexican assembly plants depressed third-quarter margins.

For the first nine months, Zenith reported a loss of $85.6m, or $2.92 a share, on sales of $858m. That compares with a loss of $52.1m, or $1.82, on sales of $923m in the same 1991 period.

# Northern Telecom gains 11% and predicts further growth

By Bernard Simon

NORTHERN Telecom, the Canadian telecommunications equipment maker, has reported a surprisingly strong 11 per cent rise in third-quarter earnings and predicted further "respectable" growth for the rest of the year.

Yesterday's third-quarter earnings report set off a rise in Northern Telecom's shares, which jumped C$2 on the Toronto stock exchange yesterday morning to C$45.38.

The stock has traded as high as C$58 this year, but recently fell below C$40 on reports of weaker demand and intensifying competition in many markets.

Earnings climbed to US$113m, or 46 cents a share, from US$102m, or 42 cents a share, a year earlier. Revenues rose 5 per cent to $2.02bn.

The order intake improved by 8 per cent to $2.26bn, and orders on hand stood at a record $3.38bn on September 30, 16 per cent higher than a year earlier.

Paul Stern: slugging it out

The company said that gross margins widened by about 2 percentage points, reflecting growth in sales of central office switches.

Dr Paul Stern, chairman, ascribed the improvement mainly to expanding market share.

"The market is tough, and we're slugging it out on the strength of product and our relationships," Dr Stern said.

He added that he still expected earnings for the year as a whole to exceed 1991 levels. For the first nine months, earnings were $293m, down from $307m in January-September 1991.

Third-quarter revenues rose in all geographic markets except Europe, which was affected by weak demand as well as the divestiture of some businesses which Nortel acquired as part of its takeover of Britain's STC in March 1991.

Sales of business communications systems and terminals were flat, but revenues from all other product lines increased, with the biggest rises posted by transmission products and cable.

# RJR Nabisco rises to $182m in third period

By Nikki Tait in New York

LOWER interest charges more than compensated for falling domestic tobacco profits at RJR Nabisco in the third quarter of 1992, helping the large US cigarette and food group to post after-tax profits of $182m, up from $123m in the same period a year earlier.

At the operating level, RJR Nabisco – the subject of a $25bn leveraged buy-out in 1989 – reported static results.

Operating profits in the three months to end-September were $763m, compared with $762m in 1991, although total sales rose to $4.02bn from $3.76bn.

This reflected increased earnings from the international tobacco operations, where profits rose to $159m from $135m, but a dip on the domestic side, with profits slipping to $553m from $578m.

On the latter front, RJR said domestic sales volume was up by 6 per cent, with growth in the discount sector more than offsetting the decline in full-priced brands. However, in spite of the higher volumes and some price rises, increased marketing expenditures produced the profit decline.

On the food side, sales rose by 6 per cent to $1.69bn, but operating profits were little changed during the quarter at $232m compared with $228m.

RJR said there had been strong sales growth in Latin America, but progress in North America had been restrained by the weakness in consumer spending.

On the financial front, RJR Nabisco has continued the restructuring of its balance sheet, and yesterday Mr Lou Gerstner, chairman, noted that $2.8bn of debt had been refinanced since the start of the year.

In the third quarter, RJR repurchased and retired $100m of payment-in-kind debentures, plus another $412m of other debt securities.

This helped cash and non-cash interest expenses to fall from $500m in the third quarter of 1991, to $345m this time.

The latest figures mean that in the first nine months of the year, RJR has reported after-tax profits of $254m, compared with $207m in the same period of 1991.

# Xerox improves 11% to $135m

By Martin Dickson in New York

XEROX, the document processing group, yesterday reported an 11 per cent increase in third-quarter net income and outlined a restructuring of Crum and Forster, its property/casualty insurance unit.

Crum and Forster realised $444m in capital gains in the quarter and took a provision of an equal amount in anticipation of "balance sheet strengthening related to future restructuring actions".

Xerox reported net income of $135m, or $1.18 a share, compared with $121m, or $1.06, in the corresponding period of last year, while revenues rose to $4.5bn from $4.3bn.

For the nine months, it produced net income 11 per cent higher at $402m, or $3.53 a share, compared to $363m, or $3.18 a share.

Revenues were $13.1bn against $12.9bn.

Mr Paul Allaire, chairman, said the company's new range of document processing machines were "meeting with excellent customer reception, despite the weak economic environment in the US and the deteriorating economies in Europe, Japan and Brazil".

Third-quarter income from the document processing side was 10 per cent ahead at $128m, while revenues grew 9 per cent to $3.6bn.

Excluding currency effects, revenues grew 4 per cent.

The insurance and financial services side of the business produced income after interest and headquarters expenses of $7m, up from $4m.

Mr Stuart Ross, chairman of the financial services business, said a new management team at Crum and Forster was looking at several alternatives for restructuring its insurance operations and strengthening its financial position.

Crum and Forster was expected to take additional provisions and add to its reserves in the fourth quarter.

# American Airlines joins fare war

By Nikki Tait

A NEW bout of transatlantic fare wars loomed yesterday as American Airlines, one of the three largest US carriers, said it would match the fare cuts on European routes initiated by its smaller rival, Continental Airlines, on Monday.

Continental, which has been operating under bankruptcy court protection since late 1990, announced that it was reducing fares for winter travel in Europe by an average of 35 per cent.

The reduced-price tickets apply to travel between December 27 and March 30, and must be purchased by December 31.

Continental's move cuts round trip fares from $498-$902, to $358-$498. The cheaper tickets would be non-refundable.

American's response is significant because it is a bigger transatlantic operator than Continental and is likely to spur similar reductions from other big carriers.

This latest bout of price-cutting comes just as the US airline industry is reporting dismal figures for the third quarter of 1992.

# Allied-Signal gains 75% in third quarter

By Martin Dickson

ALLIED-SIGNAL, the US technology group undergoing a restructuring, yesterday reported a 75 per cent increase in third-quarter net income, excluding a large charge taken a year ago, led by much better results from its automotive components business.

It reported net income of $140m, or 99 cents a share, compared with $80m, or 58 cents a share, before a restructuring charge which turned last year's net into a loss of $540m, or $3.94 a share.

Sales rose to $2.94bn from $2.87bn.

Mr Larry Bossidy, who set the shake-up going when he became chairman in 1991, said the company expected its full-year earnings to exceed the high end of its previous forecast of $3.60 to $3.85 per share.

The third-quarter operating margin was 7.4 per cent, up from 5.1 per cent a year ago, while productivity rose 5.9 per cent in the first nine months of the year and return on equity was up from 9 per cent to 17 per cent.

The automotive business produced net income of $39m, up from $20m, thanks to "strong sales and profits in the automotive aftermarket and the North American light and heavy truck markets, as well as productivity gains".

Higher sales and profits for car and light truck brakes, filters and spark plugs, turbochargers and heavy vehicle equipment were offset partially by lower sales and increased losses in Brazil.

The aerospace business reported net income $3m higher at $55m, which the company attributed mainly to productivity improvements, while engineered materials saw profits rise to $55m from $37m

For the nine months the company reported net income of $412m, or $2.93 a share, against $227m, or $1.67, last year, excluding charges.

# Strong comeback at Tandem Computers

By Louise Kehoe in San Francisco

TANDEM Computers of the US made a strong comeback in its fourth quarter after restructuring earlier in the year. The manufacturer of fault-tolerant computer systems reported record fourth-quarter and full-year revenues.

Net income for the quarter was $27.2m, or 25 cents a share, on the high side of Wall Street expectations, in spite of an $8m pre-tax restructuring charge. Last year it reported net earnings of $2.9m, or 3 cents, for the quarter. The stock price rose to $12⅛ from a Monday close of $11.

Fourth-quarter revenues were $576.3m, up 13 per cent from $509.1m in the same period last year. In the first quarter of fiscal 1992, Tandem took a $98m pre-tax restructuring charge for job cuts and consolidation of operations. This resulted in a net loss for the year of $41.2m, or 38 cents a share when a fourth-quarter charge of $8m is included.

In 1991, the company earned $35.2m, or 33 cents. Revenues for the year rose 6 per cent to $2.04bn from $1.92bn in 1991.

Revenues increased in all geographic regions, Tandem said, with international sales lifted by "an outstanding quarter and year in Canada". Although European results were mixed by country, total revenues reached record levels.

"We remain cautious about the future," said Mr James Treybig, president and chief executive.

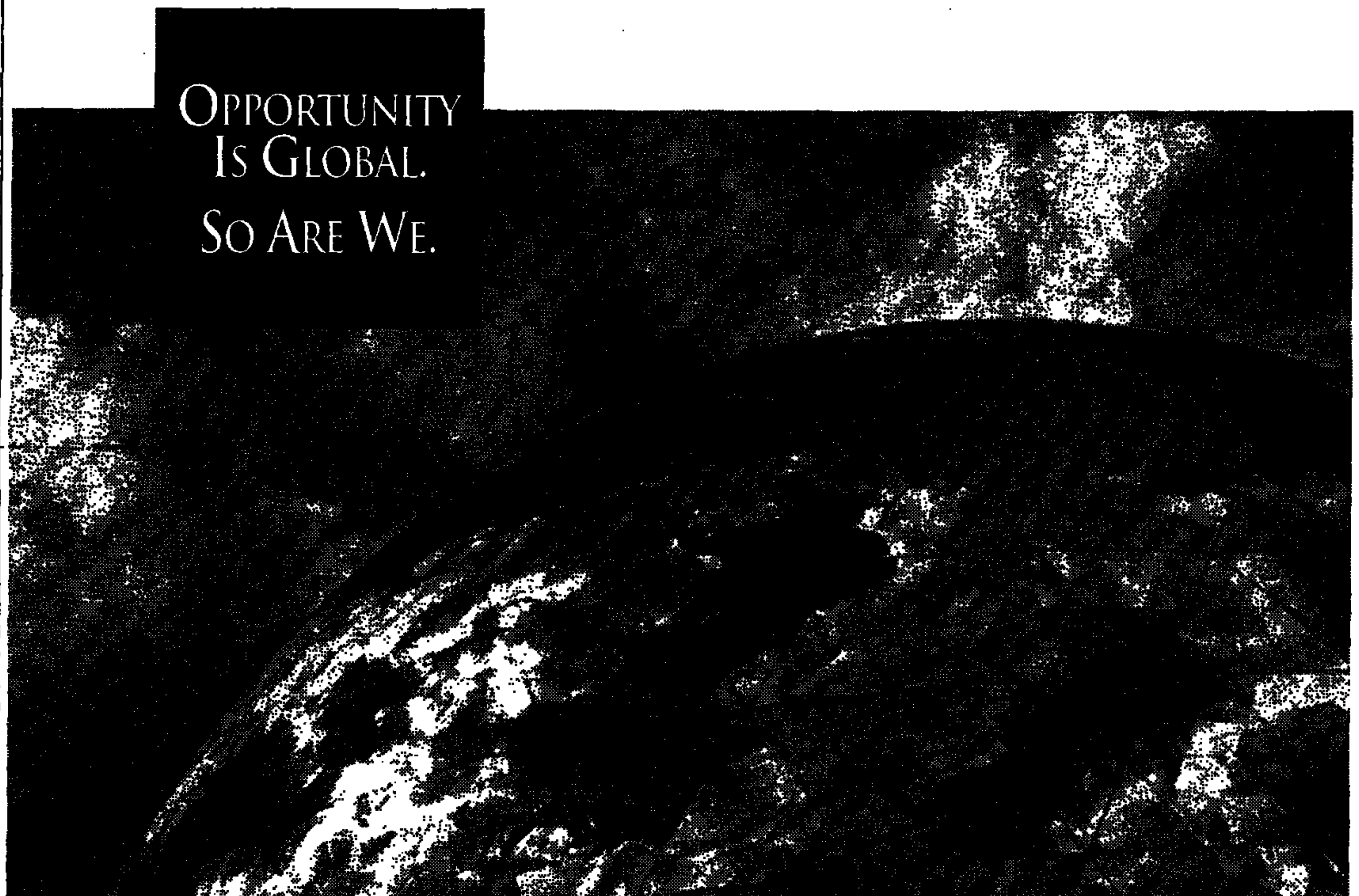
# Abitibi-Price to close paper mill

ABITIBI-PRICE, the Canadian newsprint group, is closing its Thunder Bay division newsprint mill, Reuter reports from Toronto.

The mill in Thunder Bay, Ontario, has a capacity of 170,000 tons per year and has been idle since March 1991 because of poor newsprint markets.

Abitibi said it did not expect the mill to reopen.





# Li stresses support for UK telecoms

**By Simon Davies in Hong Kong and Hugo Dixon in London**

MR LI Ka-shing, chairman of diversified Hong Kong conglomerate Hutchison Whampoa, yesterday re-affirmed his company's commitment to its UK telecommunications business, in an attempt to end speculation concerning the group's ambitious international telecommunications strategy.

Mr Li said it was Hutchison's "firm intention" to continue supporting its UK operations, which could require capital of up to HK$9bn (US$1.6bn)

Mr Li said the main ongoing UK investment would be in the company's personal communications network, a new mobile system designed to compete mainly with existing cellular networks. UK telepoint and paging networks were complete and would not require as much further investment.

Mr Li's statement was the second concerning the company's telecommunications interests in the past week.

The first, issued following a request from the Hong Kong stock exchange last week, stated that Hutchison would refocus its attention on Hong Kong and China. The failure to mention the UK fuelled speculation that these operations would be sold or abandoned.

Further confusion followed on Monday when Hutchison made 40 people redundant in Hutchison Telecommunications' corporate head office in Hong Kong, about 80 per cent of the total workforce there.

Despite the latest statement, some analysts questioned how long Hutchison would stick by its UK operations.

Li: bid to end speculation

"I expect the future investment in the UK will be well below the figure originally envisage and I still anticipate Hutchison's withdrawal from the business as soon as a serious buyer emerges," said Mr Clive Weedon at Nomura.

Hong Kong investors' dissatisfaction with Hutchison's telecom business was demonstrated on Thursday, when the share price rose 12 per cent after a magazine article claimed the UK operations would be sold or shut down by the end of the year.

Although Mr Simon Murray, Hutchison's managing director and main architect of the group's telecommunications investment in the UK, denied the story, it is understood that there is opposition within the Hutchison board to continued expenditure in the UK.

# Boeing's earnings decline by 9%

**By Martin Dickson in New York**

RECESSION in the world airline industry was underscored when Boeing, the leading manufacturer of commercial aircraft, reported a 9 per cent drop in third-quarter earnings.

The Seattle-based company reported net earnings of $364m, or $1.07 a share, compared to $401m, or $1.17, in the third quarter of last year. Sales fell 10 per cent to $6.9bn.

Mr Frank Shrontz, chairman, noted some airline customers had asked to reschedule orders and option delivery positions. However, some of the negotiated deferred deliveries had been offset by new orders and requests by other customers to accelerate deliveries. The firm backlog of orders at the end of the quarter stood at $93bn, down from $97.9bn at the end of 1991.

Announced orders for commercial jets for the first nine months were valued at $11.5bn, down from $14.7bn in the same period of last year. For the first nine months, the company reported earnings of $1.26bn, or $3.69, on sales of $22.7bn, compared with earnings of $1.16bn, or $3.39, in the same period of last year.

# Redundancies push Amexco into largest quarterly loss since 1990

**By Alan Friedman in New York**

AMERICAN Express revealed a $205m third-quarter net loss after a heavy $342m after-tax restructuring charge related to 4,800 planned redundancies and other measures in its core travel-related services (TRS) division.

The group's deficit was the biggest in a quarterly period since the disastrous losses suffered by its Shearson Lehman investment banking and securities subsidiary in early 1990. It underscored what Standard and Poor's, the rating agency, termed a negative outlook for the company.

Although the agency affirmed debt ratings, S&P noted American Express's problems with credit quality and competition in the card market.

The American Express loss, which compares with a $31m net profit a year ago, was caused by red ink in three of its most important divisions. The TRS division loss was $187.5m, although operating earnings were $155m before the restructuring charge.

The American Express Bank loss was $29.8m, caused by staff reductions and by a jump in bad debt provisions for property loans in the UK - from $8m a year ago to $67m.

American Express's share of Shearson Lehman's loss was $37.4m. The investment bank and brokerage house said its quarterly loss was $25m, compared with net profits of $63m a year ago.

The reduction of the TRS workforce by 4,800 represents 9 per cent of the division's 53,000 employees.

Other costs were attributed to reorganised product groupings and the need to cut expenses.

Loss per share in the third quarter was 45 cents, against net earnings of 5 cents a year ago.

The losses slashed American Express's net earnings for the first nine months to $380m, compared with $551m in the same period of last year.

# Zuckerman to take over NY Daily News

**By Alan Friedman in New York**

A NEW YORK bankruptcy judge has approved the sale of the New York Daily News, the loss-making tabloid, to Mr Mortimer Zuckerman, the property investor and magazine publisher.

Judge Tina Brozman said the sale was "necessary and appropriate" shortly after she ruled in favour of Mr Zuckerman on a trade union dispute involving the paper's typographers.

Mr Mortimer Zuckerman, owner of the weekly US News and World Report magazine and The Atlantic, a monthly magazine, had warned he might walk away from the transaction if he had to honour a 20-year-old contract that guaranteed life-time employment for 165 typographers.

Judge Brozman said enforcing the typographers' contracts "would have a devastating effect on the sale and would probably kill it."

The fate of the Daily News, which was previously owned by the late Mr Robert Maxwell, has been in the hands of the bankruptcy court since it filed last year for protection from creditors under Chapter 11 of US bankruptcy law.

# Placer Dome seeks understanding

**By Kenneth Gooding, Mining Correspondent**

PLACER DOME, the Canadian mining group, expects next week to emerge with a new understanding about its gold operations in Papua New Guinea. Mr Peter Crossgrove, its new vice-chairman, has agreed to travel to PNG for a meeting on November 5 with Mr Paias Wingti, the recently-elected prime minister.

Shares in companies with big PNG interests have fallen following comments by Mr Wingti indicating his government wished to renegotiate some natural resource contracts.

PD's 75.7 per cent-owned Australian subsidiary, Placer Pacific, has a stake in two of PNG's newest gold mines: 30 per cent of Porgera, one of the lowest-cost in the world, which is expected to produce more than 1.4m troy ounces this year, and 80 per cent of Misima, scheduled to produce 300,000 ounces.

Mr Crossgrove, in London yesterday, said he hoped "to settle all the issues to everybody's satisfaction," at the meeting at Mr Wingti's home, when the future of mining in PNG would top the agenda.

He pointed out that PD had been operating in PNG since 1938 and that the Porgera mining agreement was considered a model for future projects there.

Mr Crossgrove is widely expected to be appointed PD's chairman after a successor to Mr Tony Petrina, who resigned recently as president, is named.

# Dean Witter and NationsBank to form joint brokerage firm

**By Patrick Harverson in New York**

DEAN Witter Financial Services, the securities brokerage arm of retailing group Sears, Roebuck, plans to form a jointly-owned brokerage firm with NationsBank, the fourth-largest commercial bank in the US, that will sell mutual funds and other investment products to bank customers.

The new company, Nations Securities, will begin operations early next year with 400 investment professionals located in NationsBank's branches in nine US states. The company also intends to market products and services to other US commercial banks.

Although still subject to regulatory approval, the agreement is the latest example of how the once-strict divide between the commercial banking and securities businesses, enshrined in the Glass-Steagall Act of 1933, is being dismantled.

Several big banks, including JP Morgan and Bankers Trust, are already major players in the securities underwriting business, and only last week the Federal Reserve gave Republic Bank of New York approval to open a securities brokerage.

The joint venture is also an attempt by companies from two increasingly inter-connected industries to exploit their respective strengths.

Dean Witter will provide the brokerage expertise and distribution channels of a big Wall Street firm, while NationsBank will provide wide customer reach through its branches, as well as the financial muscle of a major bank.

Other banks are likely to follow in NationsBank's footsteps. The sharp fall over the past two years in the interest-rate earned on bank savings products, such as certificates of deposit, persuaded many bank customers to look elsewhere for higher returns on their money.

By offering customers in-house access to a wide range of higher-yielding investments, NationsBank and other banks hope to stem the outflow of deposits caused by the sharp fall in the returns earned by bank savings products.

# Edgars up 5% on static growth

**By Philip Gawith in Johannesburg**

EDGARS, the fashion retailer belonging to South African Breweries, raised sales and earnings in the six months to the end of September but failed to achieve real growth.

Sales rose 9 per cent to R1.4bn ($482m) from R1.3bn a year earlier, while operating profits rose 7 per cent to R194.4m from R181.9m. Attributable earnings rose 5 per cent to R82.4m from R78.6m.

The low growth in earnings testifies to the extremely tough operating environment, with private consumption expenditure expected to drop this year for the first time since 1985.

In the five years to 1992, Edgars increased attributable earnings per share at a compound rate of 27.4 per cent per annum. In the half-year under review, earnings per share rose by only 5 per cent to 162 cents from 155 cents. But the dividend is being raised by 6 per cent to 38 cents per share from 36 cents.

Mr George Beeton, chief executive, said the weaker consumer demand was reflected in the estimated 8 per cent growth in clothing, footwear and textiles turnover – well below inflation.

He said, however, that the group had managed to outperform the market with sales rising by 9 per cent. He said costs and markdowns had been well contained, which was helped by inflation in the sector declining to an average 7 per cent.

Looking at the group's divisional performance, Mr Beeton said the Edgars chain had matched its 1991 interim earnings, while Sales House gained market share and enhanced its profitability. Jet improved its results, despite the depressed state of the cash market.

The group is not anticipating an upturn in retail sales in the second half of the financial year, and hence predicts sales and profit growth for the full year to be in line with the first half performance.

# Phone companies in US lease deal

CINCINNATI Bell Telephone is to sell its residential equipment leasing business and its PhoneCenter store business to American Telephone and Telegraph, the US telecoms group, for an undisclosed price, Reuter reports from Cincinnati.

Cincinnati Bell said it would post a $0.10-a-share gain on the asset sale in 1993's first quarter. AT&T willtake over four Cincinnati Bell PhoneCenters in February next year, and Cincinnati Bell will close three stores and keep one open in Cincinnati.

AT&T will also provide telephone lease services to Cincinnati Bell's residential lease customers.

# Prague airline closes $141m debt offer

**By Daniel Green**

CZECHOSLOVAKIAN Airlines has completed the second and final stage in a $141m debt offering to pay for five Boeing 737 aircraft.

The $113m, 12-year issue was set at a fixed rate of 7.02 per cent and is backed by the Export-Import Bank of the US.

It is the first time aircraft acquisitions have been financed through a fixed rate Exim-backed public offering, according to Citicorp, which co-led the issue with Westdeutsche Landesbank Girozentrale New York.

Citicorp was also co-underwriter with J.P. Morgan and Merrill Lynch. It expects the debt to be rated AAA by Moody's and Standard and Poor's, the credit rating agencies.

CSA, the Prague airline in which Air France and the European Bank for Reconstruction and Development bought a 40 per cent stake earlier this year, took delivery of the five Boeings in July. The aircraft are now in service on European and Middle Eastern routes.



Interim Report
January 1 to August 31, 1992

**SCA in brief**

| SEK M | 1992 | 1991 |
|---|---|---|
| Net sales | 21,069 | 22,212 |
| Earnings after financial net | 62 | 1,540 |
| *of which restructuring measures* | – | 501 |
| Net earnings after taxes | 45 | 1,210 |
| Earnings per share, SEK | 0.45 | 6.66 |

Full-year forecast: Earnings after financial net expected to be *approximately breakeven.*

**Statements of Earnings**

| SEK M | 1992 | 1991 |
|---|---|---|
| Net sales | 21,069 | 22,212 |
| Operating surplus | 2,335 | 3,161 |
| Depreciation | (1,338) | (1,342) |
| Share in earnings of associated companies | 94 | 186 |
| **Operating profit** | **1,091** | 2,005 |
| Restructuring measures | – | 501 |
| **Operating profit after restructuring measures** | 1,091 | 2,506 |
| Net financial items | (1,029) | (966) |
| **Earnings after net financial items** | 62 | 1,540 |
| **before restructuring measures** | 62 | 1,039 |
| Income taxes | – | (274) |
| Minority interest | (17) | (56) |
| **Net earnings for the period** | 45 | 1,210 |

*A complete report can be ordered by calling SCA Corporate Communications, telephone nos +46 8-665 09 09, +46 60-19 30 00, or writing to the address below.*

SCA

SVENSKA CELLULOSA AKTIEBOLAGET SCA
S-851 88 Sundsvall, Sweden

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 28.10.92: Pool purchase price £/MWh | Final Prices for Trading on 30.09.92: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 16.93 | 17.70 | 17.70 |
| 0100 | 23.73 | 17.70 | 17.70 |
| 0130 | 42.00 | 17.70 | 17.70 |
| 0200 | 42.00 | 17.70 | 17.70 |
| 0230 | 23.73 | 17.70 | 17.70 |
| 0300 | 20.35 | 17.70 | 17.70 |
| 0330 | 16.93 | 17.70 | 17.70 |
| 0400 | 17.73 | 17.70 | 17.70 |
| 0430 | 17.73 | 17.70 | 17.70 |
| 0500 | 17.74 | 17.70 | 17.70 |
| 0530 | 17.74 | 17.70 | 17.70 |
| 0600 | 17.73 | 17.69 | 17.69 |
| 0630 | 20.32 | 17.70 | 17.70 |
| 0700 | 23.36 | 21.35 | 24.16 |
| 0730 | 24.28 | 22.35 | 25.18 |
| 0800 | 24.38 | 23.57 | 26.38 |
| 0830 | 24.43 | 23.58 | 26.36 |
| 0900 | 25.02 | 25.96 | 28.81 |
| 0930 | 25.13 | 24.85 | 27.65 |
| 1000 | 25.18 | 24.85 | 27.66 |
| 1030 | 25.19 | 24.84 | 27.63 |
| 1100 | 25.24 | 23.56 | 26.32 |
| 1130 | 25.80 | 23.56 | 26.32 |
| 1200 | 25.70 | 23.56 | 26.32 |
| 1230 | 25.63 | 23.56 | 26.32 |
| 1300 | 25.43 | 23.56 | 26.32 |
| 1330 | 24.99 | 23.53 | 26.27 |
| 1400 | 24.55 | 23.20 | 25.94 |
| 1430 | 24.52 | 21.25 | 21.25 |
| 1500 | 21.96 | 21.16 | 21.16 |
| 1530 | 21.97 | 21.26 | 21.25 |
| 1600 | 22.03 | 23.20 | 26.95 |
| 1630 | 25.16 | 23.00 | 25.73 |
| 1700 | 56.26 | 23.53 | 26.27 |
| 1730 | 74.52 | 24.84 | 27.61 |
| 1800 | 75.66 | 23.90 | 26.66 |
| 1830 | 50.40 | 21.25 | 21.25 |
| 1900 | 32.14 | 21.86 | 21.86 |
| 1930 | 27.89 | 28.46 | 31.31 |
| 2000 | 26.43 | 28.46 | 31.31 |
| 2030 | 24.38 | 28.46 | 31.33 |
| 2100 | 24.36 | 23.90 | 26.67 |
| 2130 | 24.03 | 23.00 | 25.76 |
| 2200 | 24.03 | 23.00 | 25.76 |
| 2230 | 23.48 | 22.20 | 24.96 |
| 2300 | 20.37 | 22.01 | 24.79 |
| 2330 | 20.32 | 21.17 | 23.93 |
| 2400 | 17.78 | 17.71 | 17.71 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

# Warning from SIA as profits fall

By Daniel Green

SIA, the parent company of Singapore Airlines, warned yesterday that business for the rest of this year would be "mixed". Demand on many routes was low "because of the sluggish economic climates in the major industrialised countries."

The warning came with the company's interim figures. Tough competition, the world economic slowdown and a strong Singapore dollar pushed first-half operating profits 8.9 per cent lower to S$477m (US$298m).

The fall at the pre-tax level was a sharper 21.5 per cent to S$498m, depressed by the absence of aircraft sales, which produced a surplus of S$88m in the same period in 1991.

Shareholders' funds, however, climbed 5 per cent to S$7,398m, while the dividend was maintained at 15 cents and the company announced a one-for-one scrip issue.

Investors had feared worse, and the "foreign" shares – those tradeable by non-Singapore holders – rose 40 cents to 1,430 cents, outperforming the local stock market.

SIA has increased its capacity by more than one-fifth over a year ago as new routes to Johannesburg, New York and Madrid were opened.

The effect of the rise in capacity on sales was, however, limited by heavy competition, said the company.

First-half turnover rose only 3.8 per cent to S$2,753m, while the load factor – a measure of how full the average aircraft is – fell 3 percentage points to 67.4 per cent. This is a large fall by industry standards and was largely attributable to the cargo division.

The yield – the revenue earned per passenger or tonne of freight – dropped almost 10 per cent. This meant that the break-even load factor, a closely-watched figure reflecting margins and the strength of cost controls, rose 0.7 percentage points to 61.3 per cent.

Group costs rose 7 per cent to S$2,276m, pushed up by depreciation, fuel prices, in-flight meals maintenance and overhaul.

The airline itself, excluding engineering, cargo and other subsidiaries of the group, saw operating profits fall 22.4 per cent to S$359m.

The decline was especially sharp reflecting payments to new subsidiaries created at the start of the company's financial year in April.

SIA Engineering, for example, is now charging the airline commercial rates for its services.

# Flag-carrier recharts growth plan

## Daniel Green examines Singapore Airlines's restructuring strategy

FOURTEEN hours flying time from Europe or the US may not be far enough for Singapore to escape the effects of recession in the western world.

Singapore Airlines (SIA), which has seen capacity grow at 16 per cent a year for the last two decades, seems already to be suffering under the strain. But the world is not entirely to blame for the sharp fall in its profits. Part of the decline is the result of a restructuring at the start of the year which saw several new subsidiaries created in areas such as cargo and catering.

Apart from the expense of the restructuring, the airline has seen operating profits hit hard as it is forced to pay commercial rates for engineering services from the newly-separate SIA engineering and maintenance division.

The restructuring has a longer-term aim in mind than half a year's operating figures. It is intended to meet an immodest target of 8 to 10 per cent growth a year for the rest of the decade.

The task is not an easy one. Mr Cheong Choong Kong, managing director, said SIA's optimism of as recently as 1990 "has been tarnished" by world recession and the possibility of international trade wars.

The separation of the cargo division follows similar moves taken recently by the likes of British Airways and Lufthansa, the German carrier. They have all responded to industry forecasts of a more rapid growth in air cargo than passenger numbers: cargo volumes should grow by 40 per cent over the next five years.


Singapore Airlines: suffering from the recession

But Mr Robert Tan, chief executive of the airline's new engineering division, predicts even more rapid growth in his unit, with sales rising from S$580m (US$362.5m) now to S$900m in 1997.

If the strategic drive into engineering and maintenance achieves this kind of success, it will have been as much to do with geography and history as traditional airline management. For most of its history, Singapore was a quiet fishing village. Since the middle of the last century the port has grown rapidly as a natural safe haven on busy shipping lanes, helped by the availability of cheap ship repairs.

Today, it is the second-largest port in the world.

Singapore's ultra-modern Changi airport has suddenly found itself at a similar crossroads. The latest generation of long-haul aircraft can fly non-stop from Europe to south-east Asia, and the next generation, with aircraft being delivered from next year, can bridge the west coast of the US to south-east Asia in one hop.

Singapore is a natural choice in the region for refuelling and crew changes. Changi regularly wins prizes for its efficiency, and the addition of a second terminal in 1990 doubled capacity. Passengers and air crew are half an hour from the city centre on a congestion-free motorway.

Servicing charges are likely to be keen because the engineering division has a desperate need for new customers. The volume of business from Singapore Airlines is limited because the carrier's fleet is small even by Asian standards. And it has the youngest aircraft in the world, an average of just over five years old, which need less maintenance than those of other carriers.

SIA's solution is to offer a "one-stop" engineering service to other airlines, said Mr Tan. "We have the facilities, tooling and skills for 90 per cent of accessories on Boeing 747s and 80 per cent on Airbus aircraft."

The division is already contracted to Vietnam Air and Bulgaria's Jes Air, and many others are on the list of potential clients.

Mr Tan says he will be able to woo west Asian airlines away from their traditional links with Europe. He will have to move quickly. He admits there will be competition from companies once involved in now shrinking military maintenance contracts, and there are potential competitors elsewhere in the Far East where costs, especially of personnel, are lower than in Singapore.

Costs are already a problem across SIA. The company is considering moving its accounting and data processing operations to cheaper centres in India or China.

SIA is already marketing its new engineering services hard. It may not take long to see whether its has been nimble enough to capture a significant slice of the long-haul maintenance market.

JAPANESE ELECTRONICS COMPANY RESULTS

REPORTS BY STEVEN BUTLER

# NEC slips 71% at parent level

NEC, Japan's biggest semiconductor maker which dominates the domestic personal computer market, yesterday said that parent company pre-tax profits fell by 71 per cent to Y15.1bn ($123.7m) in the half-year to September. Sales were off by 7 per cent to Y1,361.7bn.

Communication equipment sales fell by 10.3 per cent to Y395.3bn; computer and electronic equipment sales were off by 4.5 per cent to Y689.6bn; while sales of electronic devices, including semiconductors, dropped by 8.6 per cent to Y255.6bn.

It was in the domestic market where sales were most heavily hit, with exports registering only a 0.6 per cent decline to Y258bn.

Net income dropped by 71.9 per cent to Y10.1bn. NEC cut capital spending plans by Y20bn to Y190bn, compared with Y260bn last year.

● Toshiba yesterday said its interim parent company pre-tax profits declined by 39 per cent to Y23.5bn ($192.6m), while sales slipped by 1 per cent to Y1,518.2bn.

Toshiba's performance was supported by a 12 per cent rise in heavy electrical equipment to Y391.4bn. Sales of information, communication systems and electronic devices, which include computers and semiconductors, fell by 2 per cent to Y820.3bn. Consumer products declined by 13 per cent to Y306.6bn.

Toshiba's exports rose by 3 per cent during the period to Y416.6bn. Net income was off by 39 per cent to Y14.8bn.

# Matsushita Electric turns in 51% plunge at halfway

MATSUSHITA Electric Industrial, the world's largest consumer electronics company, yesterday said its interim parent company pre-tax profits fell by 51 per cent to Y52.3bn ($428m) on sales that declined by 7 per cent to Y2,294bn.

Sales of video equipment were hit hardest, with a 15 per cent decline to Y434.2bn. None of Matsushita's six principal divisions, however, managed to post any gain in sales.

Sales and profits from Matsushita's entertainment division will be reported next month on a consolidated basis.

Audio equipment sales were down by 8 per cent to Y152.1bn; home appliance sales dropped 9 per cent to Y346.6bn.

Communication and industrial equipment nearly held its own, with a 1 per cent decline to Y624bn.

Electronic components fell by 8 per cent to Y365.6bn, and batteries and kitchen-related products were down by 3 per cent to Y140.4bn.

Sales in the domestic market fell by 8 per cent to Y1,461.8bn. Net income was off by 54 per cent to Y28.6bn.

Matsushita lowered its estimate for full-year profits. It now expects a 46 per cent decline in net earnings to Y59bn.

Matsushita also said yesterday that it was reducing parent company capital spending by 20 per cent to Y80bn, and that directors' salaries would by slashed by 10 per cent for the next six months.

# Fujitsu posts worst results

FUJITSU, Japan's biggest computer company, yesterday reported the worst results in the company's history.

Consolidated sales rose by 6.7 per cent to Y1,694.3bn ($13.88bn) in the six months to September, against Y1,590bn a year ago. But parent company pre-tax profits were down by 86.5 per cent to Y32.9bn, while on a consolidated basis Fujitsu lost Y7.5bn pre-tax, compared with a profit of Y30.9bn in the same period last year.

Sales of Fujitsu's computers and information processing systems moved ahead by 10.9 per cent to Y1,246bn, but sales of communication systems were down by 7.7 per cent to Y206.7bn and semiconductor and electronic component sales fell by 3.4 per cent to Y174.9bn.

Fujitsu made a further cut to capital spending plans from Y140bn to Y110bn, compared to Y198bn last year.

In spite of Fujitsu's Y19.2bn net consolidated loss in the first half it expects to earn a net profit of Y5bn for the year.

# Hitachi slips 53% at midway

HITACHI yesterday reported a 53 per cent plunge in parent company pre-tax profits to Y37.5bn ($307.3m) in the half-year to September, on a 6 per cent drop in sales to Y1,895.6bn.

Hitachi's sales of information systems and electronic equipment were off 7.4 per cent to Y910.9bn. Sales of heavy electrical equipment rose 8.2 per cent to Y428.8bn. The recession has taken its biggest toll on Hitachi's consumer products, where sales dropped 22 per cent to Y204.9bn. Net income fell 46 per cent to Y25bn.

# Mitsubishi suffers on sluggish sales

MITSUBISHI Electric, Japan's third-largest electric machinery maker, yesterday reported a 73.7 per cent plunge in interim parent company pre-tax profits to Y12.3bn ($100.8m), while sales fell by 4.5 per cent to Y1,178.9bn.

In common with other manufacturers, Mitsubishi was unable to bring down costs quickly enough to compensate for sluggish sales.

The company's heavy machinery division posted a 10 per cent rise in sales to Y266bn.

However, industrial products and automation equipment sales fell by 9 per cent to Y242.4bn.

Net profits fell 75.4 per cent to Y6.3bn. Mitsubishi said its net profits for the year were expected to decline by 19 per cent to Y24bn.

# BT to convert £1.69bn loan stock into Eurobonds

By Brian Bollen

BRITISH Telecom is to convert £1.69bn ($2.75bn) of its registered loan stock into Eurobonds.

This is the latest development in the government's auction of privatised companies' debt to raise around £1bn this fiscal year.

Baring Brothers and the Treasury first announced the auction of BT and electricity sector debt in August. The BT debt to be converted into Eurobonds carries coupons of 12¼ to 12½ per cent and matures between 1997 and 2006.

BT and the Treasury have agreed to amend the terms of the stock so that it conforms with the terms and conditions of those on the company's existing Eurosterling bonds. The coupons and payment dates of the debt to be auctioned will remain unchanged.

Baring Brothers said the move would enhance significantly the marketability of BT's debt and widen its third party investor base. The existing stock pays interest net of withholding tax, while the Eurobonds will pay interest gross.

However, traders said yesterday that while marketability would be improved, the high coupons and likely pricing well above par value would be limiting factors on distribution into the international market.

Parties wishing to bid must pre-register their interest with Baring Brothers by November 3. Pre-registration implies no commitment to bid.

Barings expects to send out particulars of the auction in the first week of November.

# Strong gains in US on low inflation figure

By Patrick Harverson in New York and Sara Webb in London

A BIG drop in consumer confidence, good news on inflation and a successful two-year auction helped bond prices post strong gains yesterday, despite a better-than-expected third-quarter gross domestic product report.

## GOVERNMENT BONDS

In late trading, the benchmark 30-year government bond was up ⅝ at 95⅞, yielding 7.614 per cent. The two-year note was also firmer, up ⅛ at 99½, for a yield of 4.255 per cent.

Although the early news of a 2.7 per cent rise in third quarter GDP surprised the market, which had been expecting a smaller gain of about 1.5 per cent, prices held steady. Most analysts said the data did not tell the whole story, and argued that the revised GDP figure would give a clearer indication of economic conditions during the quarter.

Investors were also cheered by the low measure of inflation in the GDP report. Prices did not take off until the Conference Board announced that its consumer confidence index had fallen from 57.3 to 53.0 in September. The big fall in confidence pleased the market because it suggests that consumer spending could be especially weak in the final quarter. Later, strong demand at the two-year auction also buoyed sentiment.

■ UK government bonds surged on rumours of a sharp cut in interest rates, gaining more than half a point on the day after a volatile session.

The gilt market opened on a weak note, mainly due to dissent within the Conservative party over the Maastricht treaty, but prices later picked up on speculation about a cut in the base rate.

Dealers said prices were further boosted by gloomy economic news from Germany yesterday. A report released by Germany's five leading economic research institutes forecast weak economic growth and low inflation in 1993, raising the market's hopes of a cut in interest rates in Germany and elsewhere in Europe.

The 11¾ per cent gilt due 2003/07 opened at 119⅜ and fell to 119.00 in the morning before recovering to end at 120.00.

■ GERMAN government bonds rallied following gloomy forecasts from Germany's five leading economic research institutes, as the predictions of poor growth and low inflation next year rekindled hopes of a cut in domestic interest rates.

However, the bund market later lost some of its gains on profit-taking, to end little changed on the day.

The Liffe bund futures contract rose from 91.41 to a high of 91.70, before dropping back to end the day at 91.48.

■ JAPANESE government bonds climbed to new highs in the cash and futures markets, spurred on by domestic buying early in the trading session.

The December futures contract reached 107.26, its highest level since February 1989, but later fell back to close at 107.15, against an opening of 107.02.

In the cash market, the yield on the No 145 issue moved from 4.79 per cent at the opening to end at 4.77 per cent, as dealers noted strong demand among domestic institutions for ten-year bonds. Dealers said that some investors had hoped to see an easing in interest rates this week, possibly in conjunction with the quarterly meeting of the Bank of Japan's branch managers, which started yesterday.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 107.5413 | +0.065 | 8.85 | 8.73 | 8.92 |
| BELGIUM | | 8.750 | 06/02 | 103.9000 | +0.050 | 8.14 | 8.12 | 8.60 |
| CANADA * | | 8.500 | 04/02 | 105.6300 | +0.700 | 7.66 | 7.29 | 7.38 |
| DENMARK | | 9.000 | 11/00 | 101.1750 | +0.355 | 8.78 | 8.98 | 9.55 |
| FRANCE | BTAN | 8.500 | 03/97 | 101.0032 | +0.179 | 8.19 | 8.30 | 8.60 |
| | OAT | 8.500 | 11/02 | 101.8460 | +0.315 | 8.21 | 8.33 | 8.55 |
| GERMANY | | 8.000 | 07/02 | 104.3450 | -0.030 | 7.35 | 7.34 | 7.49 |
| ITALY | | 12.000 | 05/02 | 92.4000 | +0.100 | 13.68† | 14.22 | 14.17 |
| JAPAN | No 119 | 4.800 | 06/99 | 100.5066 | +0.025 | 4.70 | 4.72 | 4.74 |
| | No 145 | 5.500 | 03/02 | 104.8558 | +0.288 | 4.75 | 4.84 | 4.78 |
| NETHERLANDS | | 8.250 | 06/02 | 104.5500 | +0.050 | 7.56 | 7.56 | 7.82 |
| SPAIN | | 10.300 | 06/02 | 88.4000 | -0.200 | 12.40 | 12.53 | 13.00 |
| UK GILTS | | 10.000 | 11/96 | 110-00 | +9/32 | 7.10 | 7.32 | 8.55 |
| | | 9.750 | 08/02 | 110-11 | +11/32 | 8.19 | 8.51 | 8.98 |
| | | 9.000 | 10/08 | 102-04 | +20/32 | 8.76 | 9.03 | 9.24 |
| US TREASURY * | | 6.375 | 08/02 | 97-10 | +16/32 | 6.75 | 6.61 | 6.56 |
| | | 7.250 | 08/22 | 95-20 | +14/32 | 7.62 | 7.42 | 7.38 |
| ECU (French Govt) | | 8.500 | 03/02 | 98.1000 | -0.050 | 8.80 | 8.91 | 9.23 |

London closing, *denotes New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# Sweden and Finland seek fresh foreign funds

By Norma Cohen and Brian Bollen

TWO Scandinavian sovereign borrowers are expected to tap the Eurobond markets later today in D-Marks and French francs.

Sweden is said to be raising

## INTERNATIONAL BONDS

FFr5bn in a five-year deal priced to yield 45 to 50 basis points over comparable maturity French Treasuries, while Finland is expected to announce a DM1bn five-year Eurobond. Other sovereign borrowers are also said to be testing the waters for fresh funds.

The issue is said to be attracting muted interest from domestic French investors, who found Finnish 11-year French franc Eurobond launched earlier this year hard to digest.

Dealers said that, despite the glut of issues in recent weeks, the markets had shown a reasonable capacity to absorb the supply. After its DM2bn issue earlier this month, the deal is expected to offer Sweden a somewhat narrower spread of roughly 15 basis points over London interbank offered rates than the 30 basis point margin on its previous issue.

However, there has been considerable discussion about exactly what advantages will accrue to these sovereign borrowers once the funds are swapped back into the domestic currency.

In Sweden, for instance, domestic interest rates for five-year money are lower than rates achieved following a swap from D-Marks.

With the domestic markets unable to provide cash an the scale needed by Sweden, however, the borrower may have no option other than to raise funds, albeit at higher cost, in other currencies.

Meanwhile, two more Mexican corporate borrowers tapped the Eurobond market yesterday, seeking a total of $350m of five-year debt, and more are lining up to follow suit.

Grupo Televisa, Mexico's largest producer of Spanish-language television programmes, assigned a 10 per cent coupon to its five-year $200m bond and priced it at 410 basis points over comparable US Treasuries at 99.961 per cent, for an effective yield of 10.01 per cent. Chase Investment Bank was lead underwriter for the deal.

Late yesterday, Morgan Stanley International said it would offer $150m of five-year Eurobonds for Empresas la Moderna, a Mexican cigarette distributor. The bonds are to be priced at 425 basis points over US Treasuries later today.

Other Mexican borrowers preparing to tap the market are Vitro, Mexico's largest glass manufacturer, and Dina, a domestic truck and bus manufacturer.

The collapse of equities prices on the Mexican stock markets three months ago has prompted companies searching for expansion capital to consider borrowing money rather than selling shares.

Separately, Deutsche Bank described its DM100m issue for its Deutsche Finance Netherlands subsidiary as a block trade private placement for sale to retail investors through its own network. Morgan Stanley's DM100m seven-year reverse FRN for DSL Bank pays a coupon of 9½ per cent for the first year and 20 per cent less two-times six-month Libor thereafter.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Grupo Televisa(a) | 200 | 10 | 99.961 | 1997 | 1¼% | Chase Inv.Bank |
| GECC(f)‡ | 50 | (f) | (f) | 2003 | - | Kidder, Peabody Int. |
| **D-MARKS** | | | | | | |
| Deutsche Fin.Netherlands(b) | 100 | 8.5 | (b) | 1997 | - | Deutsche Bank |
| DSL Bank(c)‡ | 100 | (c) | 101.75 | 1999 | 2¼/1¾% | Morgan Stanley |
| Pokka Corp.(d)♦ | 90 | 3.5 | 100 | 1996 | 2¼/1½% | Nikko Bk(Deutsch.) |
| Crédit Local de France(g)‡§ | 50 | (g) | 100 | 2002 | - | Soc.Gén-Elsässische Bk |
| **SWISS FRANCS** | | | | | | |
| Philip Morris Companies Inc. | 250 | 6.375 | 102.125 | 1998 | - | Crédit Suisse |
| Daiwa (ndustries(e)♦★★ | 50 | 2.375 | 100 | 1996 | - | Bank Leu |

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. §Convertible. a) Coupon payable semi-annually. b) Fungible with outstanding DM1bn bonds. Plus 66 days accrued interest. Price, fees undisclosed. c) Coupon pays 9½% for first year and 20% less 2 × 6-month Libor thereafter. d) Exercise price fixed on 29/10/92. e) Exercise price fixed on 2/11/92. Callable on 19/11/94 at 101% and on 19/11/95 at 100½%. f) Fungible with outstanding $100m bonds. Plus 39 days accrued interest. Coupon pays 25bp below 6-month Libor. Minimun coupon 5%, maximum 8.5%. Price, fees undisclosed. g) Coupon pays 8.5% for first year and 13.8% less 6-month Libor thereafter. Convertible after 5 years into 8.5% straight issue.

# Markets braced for flurry of Asian issues

By Sara Webb

ASIAN companies are set to launch a stream of international equity issues in the next few weeks, with offerings from Taiwan, Hong Kong, South Korea and India.

Investment bankers point out that Far Eastern names are likely to account for much of the activity in the international equity markets in the immediate future, as recent turmoil in Europe's financial markets has led some European companies to postpone their offerings.

## INTERNATIONAL EQUITIES

The largest of the Far Eastern deals is Hyundai Motor's proposed $150m issue of global depository receipts, expected next month.

Johnson Electric, a Hong Kong micro-motor manufacturer, plans to launch a $60m global equity offering, with Morgan Stanley and Robert Fleming as lead managers.

President Enterprises, Taiwan's largest general retailer and food manufacturer, is planning a $70m offering of global depository receipts in the first half of November, lead-managed by Crédit Suisse First Boston.

Investors can expect three offerings from India in the next few weeks – from Grasim, the cement, textiles and fibre group, Essar Gujarat, an iron company, and Hindalco, an aluminium producer.

Grasim had to delay its $90m offering this summer when trading on the Bombay stock exchange was halted. The offering is now expected in mid-November, with Citicorp and Merrill Lynch as joint lead managers.

However, investors are likely to be wary of the latest Indian offerings after their experience with Reliance Industries earlier in the year. Shares in Reliance suffered a sharp fall after the global offering, and many investors were annoyed when Reliance increased the size of the issue from $100m to $150m.

# Hopes dwindle for new agreement on capital requirements

IOSCO Conference

THE prospect of financial regulators agreeing on common capital standards for banks and securities firms has become dim and distant, write Robert Peston and Tracy Corrigan.

Not only is there little chance of peace breaking out between securities regulators, who are negotiating under the umbrella of the International Organisation of Securities Commissions (IOSCO), but they are also at loggerheads with their bank counterparts, grouped on the Basle Committee for banking supervision.

The Basle Committee recently submitted a proposal to IOSCO's technical committee, which would exempt banks from the requirement to carry capital as a protection against possible losses on the bulk of bond holdings.

Mr Richard Breeden, chairman both of the US Securities and Exchange Commission and the IOSCO technical committee, said IOSCO members were united in opposing the Basle committee's stance.

However, such unity between IOSCO members has not been the norm this week. In a dispute over the capital standard to be applied to equity holdings, the SEC has been leading one camp and the UK's Securities and Investments Board the other.

The row hinges on the extent to which a securities firm or bank should be able to reduce the capital it carries as cover against the risk of losses on equities by hedging.

In its simplest form, hedging consists of matching a holding of equities against contracts to sell equities, or short positions. The theory is that, if share prices fall, the value of the short positions will rise, offsetting the loss.

Mr Breeden said that the SIB-backed proposal would allow a securities firm to carry capital equivalent to only 2 per cent of the sum of its long and short positions, if that firm had a perfectly hedged book as defined by the proposal.

That compares with the SEC's current minimum of approximately 15 per cent and its counter-proposal to Iosco of an 8.75 per cent minimum.

"How does it serve our duty of protecting the public by cutting capital requirements?" Mr Breeden asked.

He is intent on preventing IOSCO repeating the mistakes he believes were made by the Basle Committee, when its members agreed a capital adequacy standard for bank loans, which has been implemented over the past two years.

Mr Breeden said the economic consequences of this standard have been disastrous. US banks have been providing too few loans to companies and investing their funds predominantly in government bonds, he said, because the standard imposes a high capital cost on loans and a zero cost on purchases of government bonds.

He wants IOSCO to have more modest ambitions than the Basle Committee, which some securities regulators regard as the model for IOSCO's technical committee. He believes that IOSCO should be a "clearing house of ideas", not a rule maker.

Though other securities regulators may not agree, they cannot ignore him, since the US securities market accounts for approximately 50 per cent of the world's equity trading.

### FT FIXED INTEREST INDICES

| | Oct 27 | Oct 26 | Oct 23 | Oct 22 | Oct 21 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt Secs | 93.53 | 93.28 | 93.41 | 92.87 | 92.90 | 86.96 | 93.53 | 85.11 |
| Fixed Interest | 106.95 | 106.62 | 106.46 | 105.91 | 105.93 | 96.74 | 106.95 | 97.15 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 106.95 (27/10/92), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY

| | Oct 26 | Oct 23 | Oct 22 | Oct 21 | Oct 20 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 195.2 | 185.9 | 162.1 | 206.3 | 168.8 |
| 5-Day average | 183.9 | 174.4 | 170.5 | 163.5 | 149.9 |

Indices: 3rd activity 1974

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 27

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABN 9 1/8 94 | 200 | 106½ | 107¼ | -¼ | 5.07 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 109¾ | 110¼ | +¼ | 5.74 |
| AUSTRIA 8 1/2 00 | 400 | 107⅝ | 108¼ | +¼ | 7.11 |
| BANK OF TOKYO 8 3/8 96 | 100 | 106½ | 107 | +¼ | 6.23 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ARBED 7 1/2 95 LFr | 600 | 96¼ | 97¼ | +¼ | 9.09 |
| ECSC 7 3/4 94 LFr | 1000 | 99¼ | 100¼ | | 8.20 |
| WORLD BANK 8 96 LFr | 1000 | 99¾ | 100¼ | +¼ | 8.06 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS: [illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 70 | 3 | 5 |
| Other Fixed Interest | 13 | 2 | 0 |
| Commercial, Industrial | 294 | 229 | 898 |
| Financial & Property | 267 | 56 | 482 |
| Oil & Gas | 19 | 18 | 48 |
| Plantations | 5 | 0 | 4 |
| Mines | 22 | 50 | 75 |
| Others | 77 | 10 | 21 |
| Totals | 767 | 368 | 1,533 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price p | Am'nt Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price p | +or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| § | F.P. | - | 201 | 180 | Chubb Security | 190 | +1 | L2.8 | 2.9 | 2.0 | 21.0 |
| 130 | F.P. | - | 158 | 140 | Linx Printing Techs. | 156 | | L2.6 | 2.8 | 2.2 | 18.6 |
| 120 | F.P. | - | 192 | 157 | ♦Tepnel Diagnostics | 179 | +1 | - | - | - | - |
| 120 | F.P. | - | 137 | 126 | Trinity | 137 | | R5.4 | 1.9 | 5.4 | 12.9 |
| 45 | F.P. | - | 51 | 47 | Vardon | 49 | -2 | 60.75 | 5.3 | 2.0 | 12.3 |

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

### TRADITIONAL OPTIONS

- First Dealings Oct. 26
- Last Dealings Nov. 6
- Last Declarations Jan. 28
- For settlement Feb. 8

3-month call rate indications are shown in Saturday editions.

Calls in ASDA, Anglia TV, Brown & Tawse, Hanson warrants, ML Labs., Oceonics, Ramco Oil Servs. and Rhino. Puts in Chemical Bank, Wells Fargo and Euro Disney. Double in ASDA.

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

[illegible]

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Brit Aero (*138) | 120 | 27 | 37 | 40 | 6 | 13 | 20 | |
| | 130 | 21 | 31 | 34 | 8 | 17 | 25 | |
| | 140 | 13½ | 26 | 30 | 14 | 23 | 31 | |
| Eurotunnel (*366) | 360 | 34 | 52 | 63 | 19 | 31 | 38 | |
| | 390 | 20 | 37 | 49 | 36 | 47 | 54 | |

FT-SE Index Calls 2,742 Puts 2,743
Euro FT-SE Calls 806 Puts 862
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

#### PRICE INDICES

| | | Tue Oct 27 | Day's change % | Mon Oct 26 | Accrued interest | xd adj. 1992 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years (22) | 128.27 | +0.13 | 128.10 | 1.65 | 10.69 |
| 2 | 5-15 years (25) | 145.34 | +0.26 | 144.97 | 1.54 | 11.85 |
| 3 | Over 15 years (8) | 150.97 | +0.53 | 150.17 | 2.38 | 9.97 |
| 4 | Irredeemables (6) | 166.06 | +0.24 | 165.65 | -0.14 | 13.45 |
| 5 | All stocks (61) | 141.78 | +0.25 | 141.43 | 1.68 | 11.46 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years (2) | 183.02 | +0.57 | 181.99 | 0.29 | 3.68 |
| 7 | Over 5 years (10) | 165.51 | +0.35 | 164.93 | 0.80 | 4.04 |
| 8 | All stocks (12) | 166.67 | +0.38 | 166.04 | 0.73 | 3.96 |
| 9 | Debs & Loans (62) | 121.42 | +0.34 | 121.00 | 2.09 | 10.11 |

#### AVERAGE GROSS REDEMPTION YIELDS

| | | | Tue Oct 27 | Mon Oct 26 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 7.10 | 7.10 | 8.66 |
| 2 | Coupons | 15 years | 8.39 | 8.44 | 9.45 |
| 3 | (0%-7¾%) | 20 years | 8.68 | 8.73 | 9.45 |
| 4 | Medium | 5 years | 7.37 | 7.41 | 9.73 |
| 5 | Coupons | 15 years | 8.70 | 8.75 | 9.59 |
| 6 | (8%-10¾%) | 20 years | 8.97 | 9.03 | 9.55 |
| 7 | High | 5 years | 7.63 | 7.67 | 9.93 |
| 8 | Coupons | 15 years | 9.02 | 9.06 | 9.69 |
| 9 | (11%-) | 20 years | 9.15 | 9.19 | 9.61 |
| 10 | Irredeemables† | | 9.07 | 9.09 | 9.67 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 2.45 | 2.62 | 3.81 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.81 | 3.83 | 4.22 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.66 | 1.82 | 3.19 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.63 | 3.65 | 4.04 |
| 15 | Debs & Loans | 5 years | 8.80 | 8.83 | 11.40 |
| 16 | | 15 years | 10.02 | 10.07 | 11.17 |
| 17 | | 25 years | 10.23 | 10.27 | 10.97 |

† Flat yield.

**COMPANY NEWS: UK**

# Peregrine new powerhouse in Hong Kong

**By Simon Davies in Hong Kong**

PEREGRINE Investments, which yesterday increased its stake in Invesco MIM, the UK fund management group, has rapidly emerged as one of the leading financial powerhouses in Hong Kong since it was founded in 1988.

Helped by its strong connections with the colony's leading businessmen, including founding shareholder Mr Li Ka-shing, the colony's richest man, the firm has grown to a market capitalisation of $HK5.6bn, compared with its start-up capital of $HK300m.

It has focused on stockbroking, corporate finance and direct investment activities.

"The investment in Invesco MIM is a logical extention of our business", said Mr Francis Leung, managing director.

It had long been rumoured that Peregrine would set up its own fund management operation, but Mr Leung said: "It would be too difficult to be a late entrant in that market."

Mr Leung said it was a strategic stake.

Peregrine has held discussions with Invesco MIM about expanding sales and finding investment opportunities in south east Asia. Peregrine has offices in Bangkok, Kuala Lumpur, Manila, Seoul and Singapore, although the bulk of its earnings continue to flow in from the colony.

The company was set up primarily by Mr Philip Tose and Mr Leung, two senior executives from Citicorp Vickers, who obtained financial backing from a client list that reads like a Who's Who of corporate Hong Kong.

Its backers include Hopewell Holdings, Great Eagle, Citic Hong Kong – the local arm of the Beijing-controlled corporation – and Yue Xiu Enterprises, another influential Chinese corporation.

Peregrine has profited substantially from these connections.

This year, it was lead underwriter for placements by Hopewell and Mr Li's conglomerate Hutchison Whampoa.

It has also developed a reputation for providing easy access to Hong Kong's dealmakers.

A sell note on Hutchison earlier this year led to a diving share price, despite the company's assertions that its Chinese Walls remained intact.

Given its deal-driven profile, Peregrine would certainly benefit from the higher quality earnings of fund management.

# GrandMet confirms Spanish talks

**By Richard Gourlay**

GRAND METROPOLITAN, the UK-based food and drinks group, confirmed yesterday that its drinks division is in talks with Gonzalez Byass of Spain.

Confirmation that International Distillers & Vintners is in serious discussions with the Spanish group follows speculation in the Spanish press about a possible link.

GrandMet said the discussions could lead to international distribution agreements and IDV taking a stake in the Spanish company.

Gonzalez Byass is one of the few remaining Spanish family controlled drinks companies with international brands. It owns Soberano, the leading Spanish brandy in the domestic market and Tio Pepe, the fino sherry.

It is understood to be interested in developing links with a larger partner in order to facilitate international marketing of its brands.

GrandMet for its part is interested in expanding its stable of brands.

See Lex

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Blenheim ..............fin | 6.3 | Jan 29 | 5.5 | 9† | 7.63 |
| Bradford Prop ..........int | 2.4 | Jan 6 | 2 | - | 4.45 |
| Bridport-Gundry ......fin | 2.6 | Jan 29 | 2.6 | 4.1 | 4.1 |
| British Syphon .........int | 2 | Jan 6 | nil | - | 3 |
| Jupiter Tyndall .........int | 3 | Dec 4 | 2 | - | 5 |
| New Frontiers ...........fin | 0.25 | Jan 6 | 0.25 | 0.25 | 0.25 |
| Pacific Horizon .........fin | 0.14 | Jan 22 | 0.729 | 0.14 | 0.729 |
| Pressac ....................fin | 1.65 | Dec 11 | 1.65 | 2.4† | 2.4 |
| Warnford Invs ..........int | 2.75 | Apr 6 | 2.75 | - | 7.25 |

Dividends shown pence per share net except where otherwise stated.

# French prepare for les beaux oiseaux

**By Richard Gourlay**

THE FRENCH will not know quite what has hit them but Bernard Matthews' "bootiful bird" turkey advertisments – "les beaux oiseaux" perhaps – are about to take France by storm.

Under siege at home from imports and consumers whose allegiance has switched to cheaper chickens, the turkey king, is to lead an expeditionary force across the Channel.

Early in the new year Bernard Matthews, the Norfolk-based poultry manufacturer, is to launch a nationwide, multi-million pound TV campaign to develop the prepared turkey meat market.

The company believes French taste for prepared turkey can be developed from scratch into a market even bigger than in the UK.

The stakes are high. Ten years ago the UK market did not exist but is now worth £150m of sales, according to Mr David Joll, managing director of Bernard Matthews.

French turkey consumption is the highest in the EC but almost all of it is in the form of whole birds.

The assault on the French market has only been made possible by passage into law of the European Community's meat preparation directive allowing the export of prepared meats. Bernard Matthews has, however, received additional approvals from the French Ministry of Agriculture.

Mr Matthews will personally lead the marketing of the 7 products which are to be introduced and exported from Norfolk and Suffolk through a distribution network based in Normandy.

Bernard Matthews has promised supermarket groups like Carrefour and Leclerc four nationwide TV campaigns in the first year backed up by promotions and regional support.

The company has been researching the market for 18 months and said that the French have the fastest growing per capita frozen convenience products market in the EC.

## BOARD MEETINGS

TODAY

Interims- Abtrust New Thai Inv Trust, Babcock, Bertam, Blacks Leisure, Castle Mill, Jackson Group, Lendu, Marks and Spencer, Securities Trust Of Scotland, Telegraph

Final- Wellcome.

FUTURE DATES

| | |
|---|---|
| **Interims-** | |
| Amersham | Nov. 11 |
| British Inv Trust | Nov. 23 |
| Cambridge Water | Nov. 26 |
| Casket | Nov. 10 |
| Dunhill | Nov. 11 |
| Emap | Nov 23 |
| Glenchewton | Oct. 29 |
| Northumbrian Water | Nov. 12 |
| Sainsbury (J) | Nov 4 |
| Walker & Staff | Nov. 24 |
| Wilton | Oct. 29 |
| **Finals-** | |
| British Empire Secs | Nov. 8 |
| Stainless Metalcraft | Nov. 2 |

Recent rulings by the Financial Reporting Review Panel underline a change in style

# Standards watchdog begins to bare its teeth

**By Andrew Jack**

THREE NEW decisions in the last two weeks from the Financial Reporting Review Panel, the UK's accounting standards watchdog, have each provided new lessons in the way the body is beginning to operate.

Now entering its second year, the panel has issued 10 public statements on companies' accounting policies, including two announced on Monday against British Gas and SEP Industrial Holdings, a USM-quoted engineer.

All but the first four have taken place under the chairmanship of Mr Edwin Glasgow, who was appointed in February.

Some already detect a change in style since he took charge.

The ruling against British Gas, and another concerning Trafalgar House earlier this month, showed that the panel was not afraid to tackle large companies nor topics which require substantial material change in financial figures.

Demanding that British Gas present accounts for the nine months, after last year changing its year-end to December 31 rather than for the preceding 12 months, will reduce pre-tax profits by nearly £1bn for 1991. Amending Trafalgar House's 1991 accounts cut pre-tax profits by £83m and reduced shareholders' funds by £20m.

Although it is a much smaller company, the ruling against SEP is also significant. The panel agreed with the qualification in the accounts by Bloomer Heaven, the auditors, that SEP's failure to depreciate some freehold property breached SSAP 12, the standard on depreciation or the diminution of assets.

Tony Andrews

Edwin Glasgow: prompted a change in the style of operation

The auditor said the company should have made a provision of £89,000 and taken an additional extraordinary profit of £158,000 from the deconsolidation of a subsidiary to reflect depreciation.

More important than the specific details, the SEP ruling reaffirmed the panel's belief that SSAP 12 should remain in force.

There was a danger earlier this year that the standard might be seen as no longer credible or enforceable.

In the only public statement so far that does not suggest a breach of accounting standards, the panel said in February that Forte had not contravened SSAP 12, even though it did not depreciate its buildings.

The company did agree to provide more information in future accounts of its depreciation policies.

The panel said the difference was that Forte had conducted valuations to ensure that the value of its property had been maintained or increased, in accordance with the requirements of SSAP 12. SEP had simply assumed that expenditure on upkeep would more than compensate any deterioration of its warehouses.

But the ruling against British Gas raises the possibility of a new precedent. The panel said the company's action contravened the 1985 Companies Act but added that directors had not intended to mislead. That could provide an excuse for other less scrupulous companies looking for excuses.

Most companies have accepted the panel's rulings without too much resistance – although often after considerable grumbling and legal wrangling.

For example, Mr Paul Curson, group financial controller and an associate director of SEP, believes his company's approach to depreciation was more accurate.

"We were very pleased to be treated so lightly by the panel," he said. "I support what the panel is doing, and the amounts concerned were not material so we accepted [the ruling]."

Trafalgar House pushed the panel close to its ultimate sanction: the power and money to take a company to court and force it to restate accounts. Trafalgar was initially unwilling to co-operate, but ultimately backed down and complied.

Nonetheless, the panel has so far limited its punishment well below this level. Apart from negative publicity, no company has yet been forced to do more than adjust its comparative figures in its next set of accounts – or in one case publish amendments in a normal results circular.

Miscreants could be required to reprint and re-circulate to all shareholders the set of accounts being criticised.

Even the panel's wording in its statements remains circumspect and diplomatic, avoiding inflammatory words such as "reprimand" or "criticise".

One concern being voiced is that the selection process of companies' accounts for the panel's scrutiny is faulty. Most being examined have visible signs of discrepancy with accounting standards: either a qualified audit report or disclosures in the notes.

The more troubling practices may be more thoroughly concealed and escape attention.

Others argue that the panel should extend its remit to consider other corporate financial information such as interim accounts, takeover documents and directors' reports.

A final criticism is the relatively slow speed of action by the panel, which is staffed by part-time professionals.

Here at least it has been able to take steps for improvement. Last month it appointing three new members: Mr Kit Farrow of Kleinwort Benson, Mr Roger Looker of Rea Brothers and Mr Christopher Swinson, a chartered accountant.

# Alliance Resources suspended pending negotiations on board

**By Peggy Hollinger**

ALLIANCE RESOURCES, the Louisiana-based oil and gas company, was yesterday suspended at 9¼p pending the outcome of negotiations with Manx Petroleum over the reinstatement of former Alliance chairman Mr John O'Brien.

The suspension comes just a day before a winding up order presented by Alliance's former brokers, Girozentrale Gilbert Eliott, was to have been presented in court. The petition, which claims Alliance owes the broker £38,346 in flotation fees, has been postponed for a week.

Mr O'Brien, who is also managing director and a substantial shareholder in Manx Petroleum, was ousted from his position as chairman of the struggling USM-quoted resource company just two weeks ago.

Manx, which is chaired by resource entrepreneur Mr Algy Cluff, claims that in seeking to get rid of Mr O'Brien, Alliance defaulted on a management agreement signed in May. As a result, Manx is demanding immediate repayment of loans to Alliance believed to total between £300,000 and £500,000. Alliance is disputing the amount claimed by Manx, however.

The management deal agreed in May, which resulted in Mr O'Brien becoming chairman, set out terms for a £200,000 loan to the cash-starved Alliance and management fees of £10,000 a month be paid to Manx.

The fees were to have been paid in arrears beginning in April 1993. Mr O'Brien has said previously that he accepted no salary from either Manx or Alliance.

A letter sent to the Alliance board by Mr O'Brien before he became chairman also set out conditions for his acceptance of the post, which included an eventual all-paper bid by Alliance for the unlisted Manx Petroleum.

The compromise being negotiated last night is likely to result in the reinstatement of Mr O'Brien. At least two of the three remaining board members are expected to step down.

# STV chief takes up share options worth £767,000

**By Andrew Bolger**

MR GUS Macdonald, managing director of Scottish Television, has exercised options to buy 179,600 STV shares at a total cost of £191,111. At last night's close they were worth £766,892, giving him a paper profit of £575,781.

He masterminded STV's coup last year in winning renewal of the franchise with a bid to the Independent Television Commission of only £2,000. However, the company said these share options were granted several years ago and had no direct connection with the licensing round.

Mr Macdonald, 52, who started work as a fitter in a Clyde shipyard, joined STV in 1986 from Granda Television, where he had worked on World in Action, was head of current affairs and presented programmes such as Right to Reply and What the Papers Say.

Last year's low bid was a financial coup for STV which was unopposed in the tenders and therefore certain to retain its franchise. It made the company one of the UK's most profitable broadcasters for its size.

STV spent nearly £4m on its campaign, the main plank of which was forming and paying for alliances with the leading independent producers in Scotland.

Any outsider, therefore, found it difficult to sign up the programming-making talent necessary for a credible bid.

# Levercrest launches £1.3m rights issue to fund fresh strategy

LEVERCREST, the playground equipment, street furniture and rubber safety surfacing maker, is raising £1.3m net through a rights issue and will execute a new strategy to pursue acquisitions in the engineering sector.

This will be achieved under a new chairman, Mr Ian Orrock.

Mr Orrock, assisting the board for the last three months as a consultant, is now a director and will become chairman following an EGM on November 19.

The rights issue is on a 13-for-4 basis at 10p per share, and will be used to reduce borrowings substantially, rationalise and improve manufacturing processes, and strengthen sales and marketing functions.

The group will change its name to Roxspur and move from the USM to a full listing.

In the 14 months to May 31, the group incurred a pre-tax loss of £755,000 (£364,000) from turnover of £5.46m (£5.52m). Losses per share were 13.6p (5.9p).

Trading was difficult, there was a sizeable loss through the "substantial" theft of raw materials and finished goods, and exceptional charges of £54,000.

The current year began satisfactorily and there were indications that local authority spending would be higher.

# GM Firth selling most of Arthur Lee stake to Carclo Engineering

GM Firth is selling almost all its stake in Arthur Lee to Carclo Engineering Group. If accepted by Firth shareholders Carclo will hold 29.99 per cent of Lee.

Carclo is paying 80p a share for a 10.52 per cent holding and has conditionally agreed to buy a further 11.53 per cent at the same price. The second deal is subject to approval but holders of 43.3 per cent of Firth have indicated their intention to accept.

Firth has also reached agreement with its bankers for the provision of continuing bank facilities subject to certain asset sales and the provision of a £350,000 loan by Mr Michael Wilkinson, chairman and chief executive of Firth, to Clarkes of Stillington, a Firth subsidiary.

The loan, which is secured on steel owned by Clarkes, also requires approval.

The result will be a cash inflow to Firth of about £5.8m reducing bank borrowings to £8.8m.

# Jupiter Tyndall tops £3m after acquisition push

By Philip Coggan, Personal Finance Editor

JUPITER TYNDALL, the fund management and banking group, yesterday announced pre-tax profits of £3.16m for the six months to June 30 1992.

The figures reflected the acquisition of Tyndall Holdings, announced in August 1991.

Mr John Duffield, chairman of Jupiter Tyndall, said, therefore, that the interim results published last year were not directly comparable.

Mr Duffield said that about 55 per cent of profits came from the investment management division, where funds under management stayed constant at £950m.

Mr Leonard Licht, formerly of Mercury Asset Management, has joined the group as head of the investment division. He has been given a "golden hello", believed to be about £1m, which will be treated as an exceptional item in the year's accounts.

It is also proposed to grant Mr Licht a special option scheme, which will need the approval of shareholders at an extraordinary meeting.

The board is planning to bring in three further option schemes; for domestic employees; for overseas employees; and for executives.

Jupiter has spent much of the year in dispute with investment trusts in the former Tyndall stable and has lost two management contracts.

However, earlier this week it won victory in its efforts to have three representatives appointed to the board of one former Tyndall trust, CST Emerging Asia.

The banking division was able to maintain deposits at £350m, despite the loss of some funds following the sale of the Jersey Trust administration business.

After tax of £575,000 and minority interests of £151,000, earnings per share were 7.02p. The interim dividend is 3p.

In last year's interim results, pre-tax profits for the four months to end-June were £455,000, earnings per share were 2.69p and the interim dividend 2p.

Mr Duffield said "the economic climate has, always, many uncertainties and, in fund management, profits must always be sensitive to the respective levels of the stock market. Subject to these matters, I am confident of the prospects of our group."

# Pressac checked by redundancy payments

WITHOUT redundancy payments and associated costs, Pressac Holdings, the Nottingham-based volume manufacturer of automotive, telecommunications and lighting components would have achieved an 11 per cent advance in profitability.

However, exceptional items of £177,000 left pre-tax profits for the year to July 31 1992 virtually unchanged at £1.84m compared with £1.82m for the preceding year.

Mr Roger Boissier, chairman, said the group had reacted well to severe market conditions which had been "particularly appalling" in the UK.

The group had continued to improve productivity and had been successful in gaining market share which would generate growth.

New products being launched this year included a range of RAST 5 connector systems for the domestic appliance market and a range of insulation displacement connectors and privacy adaptors for video telephones.

The balance sheet remained strong with year-end gearing at 24 per cent after allowing for the continuing high level of capital investment in improved manufacturing which absorbed £3.7m during the year.

Turnover declined from £34.5m to £33.7m with 41 per cent (42 per cent) of sales exported. A final dividend of 1.65p maintains the total at 2.4p from earnings of 4.7p (5.8p) per share.

# Greenalls gets swift nod on £86m issue

## Philip Rawstorne reports on a change in strategy for the Lancashire group

GREENALLS' £86m cash call has been given a quick nod of approval by the City.

Analysts, after all, have had plenty of time to mull over the pros and cons of a rights issue by the Lancashire-based pubs and hotels group.

The move was clearly signalled 10 months ago when the group reorganised its two-tier share structure, ending 230 years of Greenall family control.

The restructuring – which left the family with a 16 per cent stake – marked the end of the company's transition from regional brewer to national retailer.

The 1989 report of the Monopolies and Mergers Commission on the brewing industry was the catalyst for Greenalls' switch in business strategy. With the beer market in slow decline and increasingly dominated by national lager brands, it became clear that the post-MMC environment would offer much better growth prospects for the group as a pubs operator.

Its record as a brewer had been sound. Between 1970 and 1990, the group achieved a real compound growth rate of 6 per cent a year in earnings per share and 8 per cent a year in shareholders funds. Pre-tax profits rose from £3m in 1970 to £62m in 1990.

But the management, including the founding family's Peter Greenall, now managing director, decided that resources should be focused on its retail estate in which it believed it had a sustainable competitive edge.

History was swiftly consigned to the dustbin. The breweries at Warrington and Nottingham were closed in 1990. Closure costs of £48m were partially offset by the £26m sale of Greenalls' share in Vladivar vodka – the "wodka from Warrington."

Colin Pierce

Peter Greenall, managing director: a new direction with fewer risks and sustained growth

The breweries had been operating 40 per cent below capacity. A brewing contract with Allied-Lyons enabled Greenalls to get its beer brands supplied more cheaply while shopping around for a selection of best-selling lagers and bitters.

A restructured group focused on four business areas: its estate of 1,400 pubs; 110 Premier House inns providing branded food and accommodation; De Vere hotels, including the Belfry, venue for golf's Ryder Cup; and drinks and leisure services which encompassed the biggest off-licence chain in the north of England.

Reform of the share structure earlier this year was the signal for a prudent and pragmatic expansion along the entire front.

Easier access to the market for development finance was a necessity for the business.

Mr Andrew Thomas, chairman and chief executive, said at the time: "It is important that the company has maximum flexibility in terms of access to financial markets in order to respond rapidly to opportunities for investing in existing business areas as they arise."

The deepening recession, according to Mr Thomas, is now creating opportunities "to acquire quality assets at low prices on which we believe we can earn attractive rates of return."

The City had expected the rights issue to be linked to a specific acquisition. But Mr David Thompson, analyst at Kleinwort Benson, says: "We think this new emphasis – on piecemeal add-on acquisitions – is less risky. It stresses the intention to ensure an adequate return on investment, to be choosy, and not to commit large sums of money in one throw."

Greenalls' balance sheet will be bolstered by the £86m it will raise from issuing nearly 30m shares at the discounted price of 295p. Gearing will fall from 27.5 per cent to 14.5 per cent, with interest cover rising to 6.

The cash inflow will neatly match the amount spent during the past year on investments in group operations; investments which set the cautious tone of its expansion during a time of difficult trading and flat profits.

About £30m has been spent on upgrading the group's 1,400 pubs which last year contributed £44.8m, 60 per cent of total operating profits. Forty pubs at the tail end of the estate were sold for £6m; and 39 hand-picked outlets in the northern home counties were acquired for £10m from Allied-Lyons.

Spending on the group's catering inns, which reported operating profits last year of £6.4m, amounted to £16m. By adding facilities such as restaurants, children's play areas and budget accommodation, the company claims it can increase the return on investment by 6 percentage points.

Greenalls' expanded its off-licence chain during the year to 500 outlets – the fourth largest in the country – with the £20m acquisition of 187 Blayneys stores from Vaux.

De Vere hotels picked up a bargain earlier this month when it bought the Belton Woods hotel and golf complex at Grantham from the receiver for £10.3m – about half its development cost.

A new hotel was opened at Swindon this year and two more will be built in the next two years. But its US hotels lost £665,000 last year, and will be sold as soon as possible.

Of all Greenalls' ambitions, it is its aim to turn De Vere into one of the country's leading luxury hotel chains that raises most quizzical eyebrows.

# Cost cutting gains at British Syphon

By Peggy Hollinger

BRITISH SYPHON Industries, the industrial group which is 70 per cent owned by management following an attempt to take the company private in 1989, yesterday announced an 11 per cent increase in pre-tax profits, from £2.71m to £3.02m, for the six months to June 30.

The result was struck on sales down 14 per cent at £19.7m. Mr Bryan Morrall, chairman, said the gains had been made through cost cutting and tighter working capital. Operating profits rose 13 per cent to £1.5m.

The group, which has cash deposits of £30m, also stressed its determination to seek a suitable acquisition at the earliest opportunity. It is likely to pay for a purchase with shares and would use the cash to pay off a target's debt.

Any paper deal would dilute both the management and Mr Nathu Ram Puri who, with his private conglomerate Melton Medes, controls 25 per cent of British Syphon. Mr Puri's stake barred management from taking the group private in 1989.

Mr Morrall said an acquisition would be in the interests of all shareholders. A paper deal would create a market for the shares and, in effect, return the company to the public arena.

British Syphon has been actively looking for an acquisition in the manufacturing sector. It was reported to have been the suitor for Mosaic early this summer, before withdrawing at the last minute. During the first half, it took a £400,000 extraordinary charge for the costs of an aborted acquisition.

Mr Morrall said the ideal target would roughly double British Syphon's market capitalisation of £30m at last night's share price of 88p.

The group is to pay an interim dividend of 2p; it only returned to the dividend list after four years, with a payment of 3p, in December. Mr Morrall said part of the reason for resuming dividends was to increase the attraction of an all-paper offer.

Earnings per share were 11 per cent ahead at 5.9p (5.3p).

## NEWS DIGEST

### AB sells offshoot for £2.74m

AB ELECTRONIC Products is selling the capital of Swansea Industrial Components and land in Swansea to Mr Thomas Roberts, an AB director.

Total consideration is £2.74m which will be used to reduce indebtedness. It consists of cancelling Mr Roberts' holding of 2.09m ordinary shares in AB, valued at £1.24m on October 22, and the issue of £1m secured loan stock at par by SIC to AB. Mr Roberts will also pay £500,000 cash for the land, and leave the board.

SIC makes electrical wiring harnesses for the computer, automotive, domestic appliance and entertainment industries. In the year to June 30 its three businesses incurred a loss of £1.3m on sales of £12.4m; net assets were £4.3m.

### Bridport-Gundry dips to £750,000

Bridport-Gundry almost maintained its profit in the year to July 31, despite the trading climate and without the considerable benefits it gained in 1991 from the Gulf conflict.

From turnover of £27.3m (£36.2m including Pearsalls Thread, since sold) pre-tax profit came to £751,000 (£785,000). Earnings per share were 6.32p (6.06p) and the final dividend is 2.6p for an unchanged total of 4.1p.

Following withdrawal from the fishing industry in the US and Canada and rationalisation of net manufacture in the UK, directors anticipate sales to the fishing sector will have fallen from over 40 per cent to below 15 per cent of turnover by the end of the current year.

Sutures, aviation and defence businesses, together with industrial and sports products, now form the core of the group.

### Administrators go in at Abaca

Directors of Abaca Group announced that an Administration Order in relation to the company has been made under the provisions of the Insolvency Act 1986.

Mr IP Phillips and Mr DJ Buchler, of Buchler Phillips, have been appointed as joint administrators.

### Warnford declines 12% to £3.67m

Warnford Investments, the property investment group, saw pre-tax profits fall 12 per cent, from £4.17m to £3.67m, for the six months to June 24.

Gross rents and charges dipped to £6m (£6.25m).

The interim dividend is unchanged at 2.75p, payable from earnings of 6.35p (7.45p) per share.

### Bradford Property ahead to £11.8m

Bradford Property Trust lifted pre-tax profit from £11.2m to £11.8m in the half year to October 5.

Operating profit came to £11.5m (£10.6m) comprising surplus from property rentals of £5.3m (£4.4m) and surplus on sales of dealing properties of £6.2m (£6.18m).

Earnings per share were 5.43p (5.19p) and the interim dividend is raised to 2.4p (2p).

### Pacific Horizon shows recovery

At July 31 1992 net asset value of Pacific Horizon Investment Trust amounted to 26.26p, against 35.52p a year earlier.

However, on October 26 it had risen to 33.2p. Baillie Gifford has been appointed managers and the portfolio has been restructured.

In the 12 months to end-July gross investment income fell to £271,000 (£361,000). But after a reduced tax charge net revenue rose to £97,000 (£29,000) for earnings per share of 0.24p (0.07p).

The dividend, however, is cut from 0.729p to 0.14p.

### Substantial growth at Colorgen

Colorgen, the USM traded colour matching specialist, expanded pre-tax profit from $378,000 to $928,000 (£569,325) in the first half of 1992.

Net sales grew to $11m ($9.35m), while earnings per share worked through at 5.5 cents (2 cents).

Mr John O'Brien, chairman, said trading continued to grow as expected, with further development of retail accounts such as Sears & Roebuck. Trading was expected to continue in "a positive direction", despite poor economic conditions in all markets.

### Intercare makes £400,000 purchase

Intercare Group has acquired the business and assets of PJ Burns, which trades as Castle Pharmaceuticals, for £426,015 cash.

Some £85,000 of the consideration has been placed on deposit in a joint retention account and will be released to the vendor in two instalments on November 1 1993 and October 31 1994 subject to his continuing to be employed with Impharm, a subsidiary of Intercare, at those dates.

In the year to September 30 1992, Castle's pre-tax profits were £106,790 on turnover of £1.86m; net assets at that date amounted to £469,240.

# COMMODITIES AND AGRICULTURE

## Middle East selling sends gold price to 10-week low

By Richard Mooney

THE GOLD price slipped to the lowest level for 10 weeks yesterday under pressure from fresh Middle East selling. The London bullion market price closed at $338.25 a troy ounce, down $2.90, taking the fall on the week so far to $4.90 an ounce.

The New York Commodity Exchange (Comex) gold market steadied a little after London's close and in late trading the December position was quoted at $xxx an ounce, down $xxx on the day. But Comex analysts told the Reuter news agency that the metal was poised to make another run towards life-of-contract lows. Mr George Milling-Stanley, first vice president, bullion sales, with Lehman Brothers, suggested that speculators were targeting a further fall to the December gold contract's life-time low of $335 an ounce. "The MidEast was a substantial seller of gold," he said. "It is short selling, looking to make a profit from the decline."

London dealers said the market was being kept on the defensive by the strength of the dollar and "pre-US election jitters". They thought prices were likely to hold within a $336-$340-an-ounce range over the next few days.

## Honduran president tries to heal banana split

By Canute James in Port of Spain, Trinidad

IN AN apparent effort to ease growing tension between Caribbean and Central American banana exporters over future access to the European market, Mr Rafael Leonardo Callejas, the president of Honduras, has said Latin American producers have no plans to squeeze Caribbean exporters out of their traditional market.

Speaking in Jamaica after a state visit, Mr Callejas said his government was aware of the need to protect the "access" of Caribbean banana producers to the European Community after the creation of a single market in January. He said Latin American exporters wanted to ensure that they would be allowed to benefit from any expansion in consumption in Europe after the Caribbean market was guaranteed.

Latin American producers, whose fruit is more price-competitive than that of the traditional suppliers who have had preferential access to the European market, have objected to proposals from the European commission which they say will limit their earnings from Europe.

The Latin Americans are arguing in favour of an open market for the fruit, while the Caribbean and other producers want continued guaranteed access and limits on European imports of Latin American bananas.

"We have a lot of potential to expand bananas, but we recognise that this is a very complex matter," Mr Callejas said. "We would not like to compete with the Caribbean region because of several reasons, such as our advantage in scale of production. So our effort will be to continue to try to convey this message to the European Community," the Honduran president said.

## Indonesia's rice may be over-egged

**William Keeling** on why donor agencies are urging a policy re-think

THE RAINS have fallen early in Indonesia this year, calming fears that the country might slip from its target of self-sufficiency in rice. Once, in the 1970s, the world's biggest importer of rice, in good years Indonesia now has the capacity to export.

Despite this success, donor agencies are urging the government to re-think its rice policy. The system of price stabilisation and subsidies should be restructured, they say, with the private sector adopting a greater role in storage and distribution.

Estimates for the 1992 crop have been revised upwards as the threat of drought has diminished. The latest forecast from the US Embassy in Jakarta puts the 1992 crop at 29.8m tonnes milled production.

Imports for the year are estimated at 650,000 tonnes and exports at 100,000 tonnes. Stocks held by Bulog – the state agency responsible for setting prices, controlling imports and exports and market intervention – are expected to rise by 25 per cent to 1.25m tonnes by the end of the year.

Indonesia recently changed its policy of "lending" rice during surplus seasons to other rice-producing countries, such as the Philippines and Vietnam, on the understanding that the loans can be recalled during periods of deficit.

This year the government has switched to exporting on a commercial basis and Bulog recently agreed to sell 200,000 tonnes over this year and next. The US report suggests that competitive FOB prices "would have to be at least $50 to $55 per tonne below production costs when compared with cif Jakarta prices for rice of a similar quality".

This implies a loss on exports and has given ammunition to Bulog's critics, who say that its officials do not always act in Indonesia's national interest.

A recent report by the World Bank suggested that the role of Bulog should be modified as part of a gradual reform of agricultural policy. It called for the phasing out of subsidised rice for the military and civil servants, amounting to 1.6m tonnes a year, "which is often resold on the domestic market at prices well below the government's cost of delivery".

The bank suggests Bulog's marketing functions should be performed by the private sector up to where intervention is required to keep prices in line with the world market.

The report paints a bright picture of Indonesia's long-term prospects for maintaining self-sufficiency in rice.

Compared to annual growth in demand of 3.7 per cent during the 1980s, it projects an increase in the 1990s of about 2.2 per cent a year. This reflects an expected decline in per capita consumption of rice as average income rises, with consumers buying higher-value commodities such as vegetables and meat. Demand is forecast at between 33m and 34m tonnes in the year 2000, and between 34m and 39m tonnes in 2010.

**INDONESIAN MILLED RICE MARKET (million tonnes)**

| | 1988 | 1995 | 2000 | 2010 |
|---|---|---|---|---|
| Production | 27.5 | 30.3 | 35.0 | 41.7 |
| Demand | 26.1 | 30.8 | 33.7 | 37.2 |

Source: World Bank

The biggest obstacle to self-sufficiency is the conversion of land away from agricultural use on the island of Java, which accounts for more than half Indonesia's 183m population and is the nation's industrial hub. Java produces 59 per cent of Indonesia's rice but is losing up to 50,000 hectares (125,000 acres), or 1 per cent of its rice paddy, each year.

The use of higher yielding varieties and irrigation in areas outside Java should more than offset the loss of land to industry and urbanisation, however. The World Bank is confidently forecasting production surpluses in the next decade (see table).

Much will depend, however, on agricultural reform outside the rice sector. For instance, land that could be used for rice production is designated by the government for sugar cane, despite Indonesia lacking a competitive advantage in sugar production.

Donors argue that, while sugar refiners benefit from protected prices, farmers are losing out. The same land could grow two crops of high yielding rice for every crop of sugar, boosting the farmer's income and maintaining national self-sufficiency in rice.

● Vietnam expects to produce a record 23.2m tonnes of rice this year, compared with 22m in 1991, according to an agriculture ministry official, reports Reuter from Hanoi.

The country has exported 1.25m tonnes so far this year and is likely to export 2m for the whole year, compared with 1.1m tonnes in 1991, deputy prime minister Phan Van Khai told the National Assembly earlier this month.

Agricultural reforms launched in 1987 freed farmers to grow and sell their own produce, transforming Vietnam by 1989 from a rice importer into the world's third biggest rice exporter.

## Russians more active at tea auction centres

By Kunal Bose in Calcutta

ANTICIPATING that the Indian federal government will soon be announcing a fresh credit line of $75m to Russia, including $30m for tea, Russian buying agents for have become active at the Calcutta and other tea auction centres.

Confirming the fairly strong buying for Russia, Mr Vijay Dudeja, spokesman for the brokers, said the auction prices for teas had started improving, though they were still lower than last year.

The expected new credit line would enable Russia to procure at least 16m kg of tea. According to Mr Dudeja, the recent purchases for Russia include CTC (cut, tear and curl), orthodox and Darjeeling teas.

Russia had earlier in the season imported 15m kg of tea by utilising the first tranche of technical credit of $32m. According to industry officials, a substantial portion of Indian tea being exported to Poland is destined eventually for Russia.

Up to August, India's total tea exports amounted to 102m kg, compared with 114m kg in the first eight months of last year. Considering that Russian buying has slowed down considerably, India has not done badly. Mr H.P. Barooah, chairman of the Indian Tea Association, said that following the rupee devaluation, Indian tea had become competitive with Sri Lankan and Kenyan varieties. Because of this, India was able to export more tea to the UK, Iran, Egypt and Jordan.

Pakistan, which usually imports about 150m kg of tea a year, mostly from Sri Lanka, Kenya and Indonesia, held great promise for Indian exporters. Mr Barooah said.

In spite of the export setback there has not been a precipitious fall in the auction prices. That was because the country's tea output up to August fell by 31.8m kg to 420.4m kg, the ITA chairman said.

## Demand for timber remains in doldrums

By Frances Williams in Geneva

ECONOMIC recession and the depressed construction market in many European countries continue to dampen demand for timber and little recovery is seen over the coming year, according to a report from the timber committee of the United Nations Economic Commission for Europe.

However, the North American market, fuelled by a revival in new housebuilding, is expected to show healthy growth this year and next.

European consumption of sawn softwood, which fell sharply in 1991, is expected to fall by a further 4.8 per cent in 1992 to 69.1m cubic metres, and then to stabilise in 1993 at about 69.5m cu m. However, production is projected to rise by 0.8 per cent to 67m cu m in 1992 and by another 1.7 per cent next year.

Despite a decline in imports and some rise in exports, weak demand has led to oversupply in many European sawn softwood markets, leading to fierce competition, low profitability and sawmill closures, the ECE says. This is likely to continue in the near term despite a steady fall in Russian exports outside the Commonwealth of Independent States.

However, the ECE is predicting a 5.9 per cent rise in North American sawn softwood demand to 122.4m cu m in 1992 and a 3.1 per cent rise in 1993.

It also takes a more cheerful view of long-term European prospects, pointing to the strong latent demand for sawn softwood in eastern and central Europe, where there is a need to increase and improve the housing stock.

Developments in the markets for softwood logs in Europe are still marked by the consequences of the 1990 storm, which felled over 100m cu m, according to the report. It forecasts a slow rise in production in 1992 and 1993, while trade is expected to drop back to pre-storm levels. Nevertheless, the ECE says, large stocks of water-stored logs will continue to weigh on the market.

Sawn hardwood consumption and production in Europe may decline slightly in 1992 to 18.4m and 14.5m cu m respectively, with little change in 1993. The ECE notes that European imports of tropical hardwoods have fallen significantly since 1989, in part reflecting campaigns by environmental groups to save tropical forests.

In North America, consumption and production of sawn hardwood are expected to increase by 5.5 to 5.7 per cent this year to 24.8m and 26.5m cu m respectively.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,690-1,750 (1,700-1,750).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (2.30-2.50).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.65-0.75 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.00-15.00 (13.50-14.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.10-2.20 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) $WO_3$, cif, 45-55 (48-57).

VANADIUM: European free market, min. 98 per cent, $ a lb $V_2O_5$, cif, 1.80-2.00 (same).

URANIUM: Nuexco exchange value, $ per lb, $U_3O_8$, 8.75 (same).

**LME WAREHOUSE STOCKS** (As at Monday's close) tonnes

| | | |
|---|---|---|
| Aluminium | +3,975 | to 1,415,050 |
| Copper | +2,575 | to 309,725 |
| Lead | +1,475 | to 182,950 |
| Nickel | +522 | to 55,602 |
| Zinc | +2,775 | to 380,350 |
| Tin | −150 | to 14,570 |

## Copper mining projects attract big spenders

By Kenneth Gooding, Mining Correspondent

SOME VERY high prices are being paid for copper mining projects, according to Mr Douglas Yearley, chairman of Phelps Dodge, the world's second-biggest producer of the metal.

He quotes three examples:

● Lac Minerals of Canada is to pay US$70m for 52.5 per cent of the Lisheen copper project in Ireland which Phelps values at $35m to $40m;

● Minorco, part of the Anglo American Corporation of South Africa, is to pay $185m for a one-third stake in the Colahausi project in Chile which Phelps believes is worth $100m;

● Placer Dome, another Canadian group, is to pay $100m for a 50 per cent interest in the Zaldivar project, also in Chile, which Phelps values at less than $50m.

Mr Yearley is also concerned about the number of newcomers to copper mining, particularly those gold companies switching to the base metal.

At a private meeting with analysts during London Metals Week he described these gold companies as "amateurs" because copper was "not their natural business". His remarks were so aggressive they were bound to be repeated and become a big talking point in the metals markets.

He told the analysts Phelps would not become involved in bidding up the price of mineral properties. It was better to explore for properties than to buy at present – Phelps was spending $35m a year on exploration.

Discussing the Colahausi project, where Billiton, the Royal Dutch/Shell mining and metals business, and Falconbridge, the Canadian company jointly owned by Norada of Canada and Sweden's Trelleborg, are also involved, Mr Yearley pointed out that copper had never been mined at such a height – the deposit is about 15,000 feet above sea level – and it was on the wrong side of the Andes mountains. Whereas Chile's successful Escondida copper mine was sending ore for processing in a slurry via pipelines down to the sea, Colahausi could not use this cost-saving technique.

The price paid for the Zaldivar stake, acquired by Placer Dome from Outokumpu, the Finnish mining and metals group which retains the other 50 per cent, could be justified only if the copper price stayed at $1.15 a lb for the long term. Phelps, always conservative, used a long-term copper price of 85 cents a lb for its valuations he said, while RTZ Corporation of the UK, another big copper producer, used 91 cents.

Mr Eliseo Gonzalez-Urien, Placer Dome's vice-president, exploration, yesterday vigorously defended his company's proposed purchase of the Zaldivar stake. Placer Dome did not make long-term price forecasts but looked at production costs. If Zaldivar performed "as advertised," its production costs would be among the lowest in the world at 35 US cents to 55 cents a lb.

Copper at Zaldivar was near the surface and could be recovered by the low-cost solvent extraction-electro winning process for the first several years. The $500m investment would be paid back to the joint venturer company in three years, Placer would be paid back in about five years while the mine was expected to have a very long life, perhaps 50 years.

"Buying a copper mine is not like shopping for a pair of shoes where you can walk up the high street comparing prices in several stores," said Mr Gonzalez-Urien. "You pay what you think it is worth to you. Phelps Dodge, as an established copper company, obviously has a different view to us."

At his presentation, Mr Yearley said Phelps expected a copper supply surplus of about 100,000 tonnes this year and next. Even so, prices next year should range between 90 cents and $1.10 a lb. He suggested 1994 would be a good year for the copper producers because production would stabilise while consumption by then should be receiving a boost from a recovery in world economic activity.

# WORLD COMMODITIES PRICES

## MARKET REPORT

London's robusta coffee futures market set a fresh eight-month high yesterday while cocoa touched a nine-month peak. Dealers said the **COFFEE** market, which reached $930 a tonne in the January position before closing at $924 a tonne, up $33 from Monday, rose on technically-inspired investment fund buying. They thought it could climb further before producers were tempted to return as sellers, but would not speculate on the extent of the upside potential. The rise in **COCOA** prices, which mainly reflected sterling's weakness against the US dollar, lifted the March position to £734 at one point before it closed at £724 a tonne, up £9 on the day. At the London Metal Exchange **COPPER** prices were also aided by the pound's fall, the cash position closing £21.50 up at £1,427.50 a tonne. The rise was further encouraged by workers at Codelco, the Chilean state metals group, threatening a strike call at the end of the week if the company did not negotiate on privatisation plans.

Compiled from Reuters

## London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB)(Dec) | | + or - |
|---|---|---|
| Dubai | $17.60-7.65u | -.025 |
| Brent Blend (dated) | $18.85-9.75 | |
| Brent Blend (Dec) | $19.85-9.90 | -.025 |
| W.T.I (1 pm est) | $21.00-1.10u | -.125 |

**Oil products** (NWE prompt delivery per tonne CIF

| | | + or - |
|---|---|---|
| Premium Gasoline | $215-218 | |
| Gas Oil | $195-196 | +3.5 |
| Heavy Fuel Oil | $103-105 | -1 |
| Naphtha | $185-186 | +1 |
| Petroleum Argus Estimates | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $338.35 | -2.90 |
| Silver (per troy oz)♣ | 378.5c | +1.00 |
| Platinum (per troy oz) | $355.25 | -0.25 |
| Palladium (per troy oz) | $93.50 | -0.65 |
| Copper (US Producer) | 104.5c | +0.5 |
| Lead (US Producer) | 38.5c | |
| Tin (Kuala Lumpur market) | 14.19r | -0.11 |
| Tin (New York) | 269.5c | |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 107.05p | -0.13* |
| Sheep (live weight)†♠ | 74.22p | +0.28* |
| Pigs (live weight)† | 82.09p | -3.26* |
| London daily sugar (raw) | $224.0w | -2.0 |
| London daily sugar (white) | $261.0w | -0.5 |
| Tate and Lyle export price | £252.0 | |
| Barley (English feed) | £126.5u | |
| Maize (US No. 3 yellow) | £144.0 | |
| Wheat (US Dark Northern) | Unq | |
| Rubber (Dec)♥ | 62.25p | +0.50 |
| Rubber (Jan)♥ | 62.25p | +0.75 |
| Rubber (KL RSS No 1 Oct) | 222.0m | |
| Coconut oil (Philippines)§ | $492.5y | -17.5 |
| Palm Oil (Malaysian)§ | $402.5u | -2.5 |
| Copra (Philippines)§ | $330.0 | |
| Soyabeans (US) | £160.0w | +1.0 |
| Cotton "A" Index | 51.60c | -0.45 |
| Wooltops (64s Super) | 413p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar y-Dec/Jan u-Dec. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 197.00 | 193.00 | 197.00 | 192.00 |
| Mar | 193.00 | 194.00 | 191.00 | 191.00 |
| May | 198.00 | 195.20 | 193.00 | 193.00 |
| **White** | **Close** | **Previous** | **High/Low** | |
| Dec | 258.00 | 257.50 | 258.00 | 257.00 |
| Mar | 256.50 | 256.00 | 256.60 | 255.90 |
| May | 258.00 | 257.70 | 258.00 | 257.90 |
| Aug | 263.00 | 263.70 | 263.50 | 263.00 |
| Oct | 252.00 | 252.70 | 252.00 | 251.50 |
| Dec | 252.50 | | 252.50 | 252.00 |

Turnover: Raw 31 (86) lots of 50 tonnes. White 721 (393) Paris- White (FFr per tonne): Dec 1339.46 Mar 1360.60

**CRUDE OIL – IPE** $/barrel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 19.86 | 20.02 | 20.16 | 19.81 |
| Jan | 19.85 | 20.02 | 20.17 | 19.84 |
| Feb | 19.81 | 19.98 | 20.10 | 19.77 |
| Mar | 19.68 | 19.83 | 19.93 | 19.72 |
| Apr | 19.57 | 19.75 | 19.68 | 19.62 |
| May | 19.50 | | 19.60 | 19.55 |
| Jun | 19.43 | | 19.70 | 19.45 |
| Aug | 19.35 | | 19.34 | 19.32 |
| IPE Index | 19.93 | 20.10 | 19.93 | |

Turnover 26291 (22553)

**GAS OIL – IPE** $/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 191.00 | 188.75 | 192.00 | 190.00 |
| Dec | 192.50 | 190.75 | 194.00 | 192.50 |
| Jan | 193.50 | 192.00 | 194.50 | 193.00 |
| Feb | 191.00 | 189.25 | 191.50 | 190.00 |
| Mar | 185.50 | 183.75 | 186.00 | 184.50 |
| Apr | 180.75 | 179.25 | 181.75 | 180.75 |
| May | 177.50 | 176.25 | 178.75 | 177.50 |
| Jun | 176.00 | 174.75 | 177.75 | 176.00 |
| Jul | 176.75 | | 178.50 | 178.25 |

Turnover 14394 (19331) lots of 100 tonnes

**COTTON**
Spot and shipment sales in Liverpool for the week ending 23 October amounted to 10 tonnes against 380 tonnes in the previous week. Sales were low and occurred mainly in Mali growths.

**JUTE**
November/December C and F Dundee: BTC US$355. BWC US$370. BTD US$320. BWD US$330. C and F Antwerp: BTC US$335. BWC US$335. BTD US$315. BWD US$315.

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 703 | 694 | 708 | 691 |
| Mar | 724 | 715 | 734 | 716 |
| May | 741 | 733 | 750 | 737 |
| Jul | 758 | 750 | 765 | 754 |
| Sep | 775 | 766 | 784 | 772 |
| Dec | 800 | 791 | 803 | 795 |
| Mar | 825 | 815 | 828 | 822 |
| May | 840 | | 841 | 840 |
| Jul | 855 | | 857 | 854 |
| Sep | 870 | 863 | 871 | 870 |

Turnover: 8124 (3832) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 26 752.47 (747.76) 10 day average for Oct 27 736.66 (735.75)

**COFFEE – London FOX** $/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 899 | 876 | 903 | 876 |
| Jan | 924 | 891 | 930 | 894 |
| Mar | 943 | 904 | 945 | 909 |
| May | 943 | 904 | 946 | 910 |
| | 943 | | 932 | 915 |
| | 945 | | 933 | 918 |

Turnover: (2996) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 26: Comp. daily 54.62 (54.75) 15 day average 52.79 (52.44)

**POTATOES – London FOX** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 65.5 | 63.5 | 65.5 | 63.5 |

Turnover 192 (134) lots of 20 tonnes.

**SOYAMEAL – London FOX** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 138.00 | 138.00 | 138.60 | 137.60 |
| Aug | 138.50 | 137.70 | 139.00 | 138.50 |

Turnover 378 (125) lots of 20 tonnes.

**FREIGHT – London FOX** $10/index point

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 1195 | 1210 | 1200 | 1185 |
| Dec | 1179 | 1205 | 1180 | 1179 |
| Jan | 1226 | 1230 | 1226 | |
| BFI | 1107 | 1101 | 1107 | |

Turnover 29 (22)

**GRAINS – London FOX** £/tonne

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 126.50 | 126.50 | 126.50 | 126.30 |
| Jan | 130.10 | 129.50 | 130.15 | 129.60 |
| Mar | 133.15 | 132.50 | 133.15 | 132.60 |
| May | 135.50 | 135.50 | 135.60 | 136.10 |
| **Barley** | **Close** | **Previous** | **High/Low** | |
| Jan | 128.20 | 127.60 | 128.20 | 127.85 |
| Mar | 131.00 | 130.65 | 131.00 | 130.65 |

Turnover: Wheat 412 (179), Barley 55 (132). Turnover lots of 100 Tonnes.

**PIGS – London FOX** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 112.0 | | 111.0 |
| Jan | 101.5 | | 101.0 |

Turnover:16 (2) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 32,741 lots |
| Cash | 1158.5-7.5 | 1165-6 | 1158 | 1158-8.5 | | |
| 3 months | 1182-3 | 1190-90.5 | 1190/1180.5 | 1183-3.5 | 1180-80.5 | 169,621 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 28,670 lots |
| Cash | 1427-8 | 1405.5-6.5 | 1431 | 1431-1.5 | | |
| 3 months | 1455-5.5 | 1434-4.5 | 1462/1460.5 | 1459-9.5 | 1460.5-1 | 144,524 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 3,512 lots |
| Cash | 327.5-8.5 | 324-6 | 329.5 | 329-9.5 | | |
| 3 months | 340.5-1.0 | 337-8 | 344/338 | 342-2.5 | 338-40 | 23,999 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 7,060 lots |
| Cash | 6155-60 | 6100-10 | | 6137-8 | | |
| 3 months | 6230-5 | 6180-5 | 6250/6200 | 6215-20 | 6225-30 | 32,040 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 2,181 lots |
| Cash | 5815-20 | 5835-45 | | 5820-30 | | |
| 3 months | 5875-80 | 5895-900 | 5890/5860 | 5880-5 | 5875-85 | 10,038 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 14,137 lots |
| Cash | 1113-5 | 1110-12 | | 1116-8.5 | | |
| 3 months | 1132-3 | 1129-30 | 1145/1131 | 1138.5-7.0 | 1131-2 | 66,350 lots |

LME Closing £/$ rate: SPOT: 1.5785 3 months: 1.5630 6 months: 1.5544 9 months: 1.5469

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 338.20-338.50 | |
| Opening | 338.60-339.00 | |
| Morning fix | 339.10 | 215.712 |
| Afternoon fix | 338.25 | 215.172 |
| Day's high | 339.20-339.50 | |
| Day's low | 336.60-336.80 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 2.03 | 6 months | 2.27 |
| 2 months | 2.09 | 12 months | 2.53 |
| 3 months | 2.19 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 239.40 | 375.00 |
| 3 months | 243.75 | 378.00 |
| 6 months | 247.30 | 381.15 |
| 12 months | 254.10 | 388.30 |

**GOLD COINS**

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 338.00-341.00 | 215.00-217.00 |
| Maple leaf | 346.60-350.85 | - |
| New Sovereign | 80.50-83.50 | 51.00-53.00 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Dec | Mar | Dec | Mar |
| 1100 | 75 | 105 | 3 | 6 |
| 1200 | 12 | 37 | 39 | 38 |
| 1300 | 3 | 10 | 125 | 110 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2200 | 66 | 100 | 13 | 30 |
| 2300 | 16 | 47 | 60 | 74 |
| 2400 | 3 | 17 | 145 | 144 |
| **Coffee** | **Nov** | **Jan** | **Nov** | **Jan** |
| 750 | 226 | 175 | 20 | 1 |
| 800 | 187 | 127 | 32 | 3 |
| 850 | 153 | 85 | 48 | 11 |
| **Cocoa** | **Dec** | **Mar** | **Dec** | **Mar** |
| 625 | 79 | 109 | 1 | 10 |
| 650 | 55 | 89 | 2 | 15 |
| 675 | 35 | 72 | 7 | 23 |
| **Brent Crude** | **Dec** | **Jan** | **Dec** | **Jan** |
| 2000 | 30 | | 17 | 36 |
| 2050 | 9 | 29 | 51 | 66 |
| 2100 | 2 | 17 | 88 | |

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 337.4 | 341.1 | 338.5 | 338.0 |
| Nov | 337.3 | 341.0 | 0 | 0 |
| Dec | 338.0 | 341.7 | 340.0 | 336.9 |
| Feb | 339.3 | 343.0 | 341.3 | 338.0 |
| Apr | 340.6 | 344.3 | 343.0 | 339.9 |
| Jun | 342.2 | 345.9 | 343.9 | 342.0 |
| Aug | 343.9 | 347.7 | 345.6 | 345.6 |
| Oct | 345.8 | 349.6 | 0 | 0 |
| Dec | 347.8 | 351.6 | 350.0 | 346.0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 357.8 | 358.6 | 358.5 | 358.5 |
| Jan | 353.6 | 354.8 | 354.7 | 353.0 |
| Apr | 352.6 | 353.6 | 353.0 | 352.5 |
| Jul | 352.3 | 353.3 | 0 | 0 |
| Oct | 354.3 | 355.3 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 373.9 | 374.4 | 0 | 0 |
| Nov | 373.9 | 374.4 | 376.0 | 376.0 |
| Dec | 375.2 | 375.7 | 378.0 | 373.0 |
| Jan | 376.5 | 377.0 | 0 | 0 |
| Mar | 378.9 | 379.4 | 379.5 | 378.9 |
| May | 381.6 | 382.1 | 381.5 | 381.5 |
| Jul | 384.3 | 384.8 | 384.0 | 383.5 |
| Sep | 387.2 | 387.7 | 0 | 0 |
| Dec | 391.8 | 392.3 | 392.0 | 390.0 |
| Jan | 393.3 | 393.8 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 99.60 | 99.35 | 100.00 | 99.75 |
| Nov | 99.85 | 99.55 | 100.10 | 99.60 |
| Dec | 100.50 | 100.10 | 101.00 | 100.00 |
| Jan | 100.90 | 100.50 | 100.90 | 100.90 |
| Feb | 101.20 | 100.80 | 0 | 0 |
| Mar | 101.50 | 101.10 | 101.90 | 101.20 |
| Apr | 101.90 | 101.50 | 0 | 0 |
| May | 102.30 | 101.90 | 102.80 | 102.35 |
| Jun | 102.70 | 102.30 | 0 | 0 |
| Jul | 103.00 | 102.60 | 103.10 | 102.90 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 21.02 | 21.27 | 21.38 | 20.98 |
| Jan | 21.01 | 21.22 | 21.33 | 20.99 |
| Feb | 20.95 | 21.15 | 21.26 | 20.94 |
| Mar | 20.89 | 21.07 | 21.18 | 20.91 |
| Apr | 20.82 | 20.99 | 21.07 | 20.87 |
| May | 20.79 | 20.91 | 20.99 | 20.80 |
| Jun | 20.70 | 20.84 | 20.93 | 20.76 |
| Jul | 20.64 | 20.77 | 20.86 | 20.72 |
| Aug | 20.58 | 20.70 | 20.78 | 20.65 |
| Sep | 20.53 | 20.64 | 20.72 | 20.60 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 61.65 | 61.85 | 62.50 | 61.50 |
| Dec | 62.38 | 62.62 | 63.30 | 62.20 |
| Jan | 62.85 | 63.01 | 63.65 | 62.65 |
| Feb | 61.85 | 62.00 | 62.50 | 61.80 |
| Mar | 59.95 | 60.18 | 60.45 | 59.90 |
| Apr | 58.15 | 58.43 | 58.56 | 58.20 |
| May | 56.95 | 57.23 | 57.45 | 57.40 |
| Jun | 56.10 | 56.38 | 56.60 | 56.50 |
| Jul | 55.95 | 56.23 | 56.40 | 56.30 |
| Aug | 56.50 | 56.78 | 56.90 | 56.90 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 975 | 967 | 985 | 965 |
| Mar | 1022 | 1015 | 1032 | 1013 |
| May | 1053 | 1047 | 1058 | 1047 |
| Jul | 1081 | 1077 | 1090 | 1081 |
| Sep | 1111 | 1107 | 1117 | 1110 |
| Dec | 1144 | 1143 | 1160 | 1142 |
| Mar | 1183 | 1181 | 0 | 0 |
| May | 1212 | 1210 | 0 | 0 |
| Jul | 1242 | 1247 | 0 | 0 |
| Sep | 1250 | 1255 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 66.55 | 65.65 | 67.60 | 66.25 |
| Mar | 68.25 | 67.30 | 69.30 | 68.00 |
| May | 71.25 | 70.75 | 72.10 | 70.90 |
| Jul | 72.80 | 72.40 | 73.60 | 72.75 |
| Sep | 74.30 | 73.80 | 75.60 | 74.25 |
| Dec | 76.50 | 76.15 | 76.50 | 76.50 |
| Mar | 78.00 | 77.00 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 8.64 | 8.64 | 8.69 | 8.62 |
| May | 8.80 | 8.76 | 8.80 | 8.75 |
| Jul | 8.84 | 8.81 | 8.84 | 8.80 |
| Oct | 8.80 | 8.80 | 8.83 | 8.80 |
| Mar | 8.86 | 8.85 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 51.40 | 51.07 | 51.45 | 51.01 |
| Mar | 51.93 | 51.55 | 51.95 | 51.56 |
| May | 52.65 | 52.70 | 52.75 | 52.41 |
| Jul | 53.30 | 53.17 | 53.64 | 53.20 |
| Oct | 54.60 | 54.60 | 54.60 | 54.50 |
| Dec | 55.15 | 55.32 | 55.35 | 55.05 |
| Mar | 56.00 | 56.11 | 0 | 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 98.75 | 99.10 | 99.30 | 98.30 |
| Jan | 96.85 | 96.50 | 97.25 | 95.60 |
| Mar | 98.55 | 98.20 | 99.05 | 97.56 |
| May | 99.45 | 99.20 | 99.50 | 98.80 |
| Jul | 99.80 | 99.85 | 99.25 | 99.10 |
| Sep | 99.10 | 99.20 | 99.10 | 99.10 |
| Nov | 98.65 | 98.70 | 99.10 | 99.10 |
| Jan | 98.65 | 98.70 | 0 | 0 |
| Mar | 98.65 | 98.70 | 0 | 0 |

**INDICES**

REUTERS (Base: September 18 1931 = 100)

| Oct 27 | Oct 26 | mnth ago | yr ago |
|---|---|---|---|
| 1647.1 | 1643.8 | 1552.2 | 1658.3 |

DOW JONES (Base: Dec. 31 1974 = 100)

| | Oct 26 | Oct 23 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 112.92 | 113.57 | 116.69 | 113.68 |
| Futures | 114.93 | 115.04 | 115.46 | 123.43 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 541/4 | 541/6 | 543/4 | 541/0 |
| Jan | 547/4 | 547/2 | 550/0 | 547/0 |
| Mar | 554/4 | 553/2 | 557/0 | 553/4 |
| May | 560/6 | 560/0 | 563/2 | 559/4 |
| Jul | 567/6 | 567/0 | 570/0 | 566/4 |
| Aug | 570/6 | 569/2 | 572/6 | 570/4 |
| Sep | 570/4 | 569/4 | 572/0 | 570/4 |
| Nov | 575/2 | 576/2 | 577/6 | 575/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 19.03 | 19.03 | 19.09 | 18.98 |
| Jan | 19.16 | 19.17 | 19.22 | 19.13 |
| Mar | 19.38 | 19.38 | 19.45 | 19.34 |
| May | 19.62 | 19.62 | 19.68 | 19.56 |
| Jul | 19.82 | 19.82 | 19.89 | 19.82 |
| Aug | 19.89 | 19.88 | 19.99 | 19.85 |
| Sep | 19.95 | 19.93 | 20.10 | 19.95 |
| Oct | 20.00 | 19.98 | 20.20 | 20.00 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 182.2 | 182.9 | 183.4 | 182.1 |
| Jan | 182.6 | 183.0 | 183.5 | 182.3 |
| Mar | 182.7 | 182.8 | 183.4 | 182.4 |
| May | 182.8 | 182.8 | 183.6 | 182.5 |
| Jul | 184.7 | 184.8 | 185.2 | 184.2 |
| Aug | 185.3 | 185.3 | 186.0 | 185.2 |
| Sep | 186.2 | 186.5 | 187.0 | 186.2 |
| Oct | 187.3 | 187.5 | 0 | 0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 205/4 | 205/4 | 206/6 | 205/0 |
| Mar | 215/2 | 215/2 | 216/4 | 215/0 |
| May | 222/2 | 222/2 | 223/4 | 222/0 |
| Jul | 226/6 | 226/4 | 228/0 | 226/4 |
| Sep | 230/6 | 230/4 | 232/0 | 230/6 |
| Dec | 234/4 | 234/0 | 235/4 | 234/0 |
| Mar | 241/2 | 241/0 | 242/0 | 241/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 346/2 | 344/2 | 348/0 | 343/0 |
| Mar | 345/2 | 342/6 | 346/4 | 342/0 |
| May | 332/4 | 331/4 | 334/6 | 331/2 |
| Jul | 312/4 | 312/0 | 314/0 | 311/2 |
| Sep | 317/0 | 317/0 | 318/4 | 316/6 |
| Dec | 328/0 | 327/0 | 328/4 | 327/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 74.150 | 74.475 | 74.650 | 74.050 |
| Feb | 71.625 | 71.775 | 71.850 | 71.560 |
| Apr | 72.175 | 72.300 | 72.500 | 72.125 |
| Jun | 69.100 | 69.325 | 69.500 | 69.075 |
| Aug | 67.700 | 67.900 | 68.100 | 67.675 |
| Oct | 68.075 | 68.250 | 68.350 | 68.075 |
| Dec | 69.000 | 0 | 0 | 0 |

**LIVE HOGS 40,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 43.900 | 43.825 | 44.375 | 43.800 |
| Feb | 42.800 | 42.550 | 43.050 | 42.560 |
| Apr | 40.225 | 40.200 | 40.550 | 40.100 |
| Jun | 45.050 | 45.150 | 45.350 | 44.850 |
| Jul | 44.600 | 44.700 | 44.900 | 44.580 |
| Aug | 43.500 | 43.550 | 43.850 | 43.350 |
| Oct | 40.600 | 40.700 | 40.750 | 40.400 |
| Dec | 42.725 | 42.850 | 42.900 | 42.600 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 42.800 | 42.600 | 43.250 | 42.400 |
| Mar | 42.850 | 42.625 | 43.400 | 42.600 |
| May | 44.400 | 44.175 | 44.600 | 44.000 |
| Jul | 44.600 | 44.800 | 0 | 44.400 |
| Aug | 44.000 | 43.850 | 44.000 | 43.650 |

FINANCIAL TIMES SURVEY

# ALUMINIUM

**Page 2:** Russia's polluters; demand and supply outlook; **Page 3:** old cans; new trade

**Page 4:** lighter motor cars need lighter metal; why the stockholders are gloomy

Wednesday October 28 1992

A deluge of metal from the vast, crumbling smelters of the former Soviet Union has sent western prices tumbling. But producers predict shortages in the west in the mid 1990s because of delays in building new smelting capacity and rising demand from car makers. **Kenneth Gooding** reports

## Scarcities may return

THERE MIGHT be a nasty shortage of aluminium from the mid-1990s onwards, because the industry has been forced to shelve many capacity expansion projects it will urgently need by then.

This would be embarrassing for an industry which, though suffering short-term difficulties, is confident it has a bright future. Aluminium's recyclable value and light weight enable producers to promote it as a "green" metal, a natural for the era in which we live.

The industry also anticipates a big surge of demand from car makers, similar to the boost it received in the 1980s when beer and soft drinks producers moved to aluminium cans.

Yet, Sumitomo Corporation of Japan, one of the world's biggest metals trading groups, estimated recently that an aluminium shortage might bite as early as 1995. It suggested that by then annual demand for the metal would outpace supply by 1.23m tonnes.

Nearly 1m tonnes of new capacity is coming on stream this year and next but "after that we can find no plans to increase output capacity," Sumitomo pointed out.

Mr Harry Helton, executive vice president, metals and raw materials, at Reynolds Metals, second-largest of the US aluminium groups, calculates the industry needs to build 13 new smelters costing about $1bn each by the year 2002 if it is to keep pace with the expected demand growth. But the industry is at present delaying work on new smelting capacity and "this might lead to a very tight supply situation at the end of the 1990s".

He explains: "We can't go to shareholders and ask for a new smelter until we can see a sustained upswing in the aluminium price." The industry needs to see a sustained price of 80 cents to 85 cents a lb ($1,763 to $1,873 a tonne) before it could reasonably start investing again, he says.

**Without the flood from the east, the industry would be facing only a modest surplus**

Last year aluminium on the London Metal Exchange averaged 59.1 cents a lb and in December the price reached its lowest level ever in real terms. It was then below 50 cents a lb at which point about 75 per cent of western world smelting capacity was operating below its cash cost of production. Half-way through October this year the average price so far in 1992 was only 57.86 cents and again it was dangerously near that all-time low.

Plummeting prices have been caused mainly because the western industry has been engulfed by an unstoppable tidal wave of metal from the former Soviet Union.

Last year, in its desperate search for foreign earnings, the Commonwealth of Independent States exported more than 1m tonnes of aluminium to the west – equivalent to the output of four modern smelters and a near 7 per cent overnight addition to the western supply of new metal. (During the 1980s the Soviet Union exported between 250,000 to 300,000 tonnes a year to the west.)

Without the flood from the CIS the industry could have coped with international recession and would this year have faced only a modest supply surplus caused by stagnating demand.

The industry reacted to the CIS flood by shutting western capacity either permanently or temporarily – 995,000 tonnes of it. There were permanent closures last year in Austria, Brazil, Germany, Hungary, India, Italy and Mexico totalling 372,000 tonnes.

However, this year 900,000 tonnes of new annual capacity has started up. It could not be held back. Pechiney's new smelter in Dunkirk, France, was rushed into operation as quickly as possible because it has only a limited time to benefit from extremely low power prices from Electricité de France, which has a temporary power surplus.

At the Alouette smelter in Quebec, where VAW Aluminium is technical manager, Mr Otto Niederhofer, president of VAW Aluminium Canada, says the consortium which owns the smelter considered holding back because of poor market conditions but this would have been too costly. Mr Bond Evans, president of Alumax which owns the Lauralco smelter in Quebec, says with some irony: "The timing of Lauralco's start-up is unfortunate but four years ago, when we gave the go-ahead, it was difficult to forecast the failure of Communism and the break-up of the eastern block. Lauralco was a strategic move for the future and we don't look for a payback on any new smelter in less than seven years."

But, wherever possible, the industry has shelved most of its potential smelter projects. Venezuela, the lowest-cost aluminium producer, has suffered most from this trend. Three projects have been shelved, dashing the country's hopes of building its aluminium capacity to 1m tonnes by the end of the century.

The industry has been battening down the hatches in other ways. Capital investment has been cut to the bone to save cash until prices improve. But many observers suggest prices will not improve until there are further substantial cuts in output. Mr David Morton, chairman of Alcan, told the US Aluminium Association last month that the industry's short term supply-demand imbalance could last several years if the logical response – taking out high-cost production capacity – was not forthcoming.

Calling for immediate action, Mr Stewart Spector, author of the New York-based Spector Report, says: "It looks as if the aluminium industry could self-destruct if producers take no action to cut production. The world economy for the most part has stalled. Over 900,000 tonnes of new primary aluminium ingot capacity will be fully operational in a few months. Ingot prices are falling. Aluminium producers seem to be on some other planet."

According to Mr Tony Bird, of the UK-based Anthony Bird Associates consultancy organisation, between 1.4m and 2m tonnes of present aluminium capacity do not have a long-term future. Most of these high-cost, "problem" smelters are in Europe but there are also some in north west US.

European executives suggest the situation is more complex than a study of costs would suggest. For example, Mr Jochen Schirner, chairman of VAW Aluminium's management board, admits that "at present LME prices most smelters should close – but that is ridiculous". He says that VAW's smelter on the Rhine is sizeable – 211,000 tonnes a year – and its power contract is "not bad". VAW's other three smelters are smaller, from 70,000 to 120,000 tonnes, but "they are all good technically and environmentally. The two in north Germany have power contracts to 1995-96 and within that contract period they will continue."

Although it is fighting to conserve its cash, there is no sense of crisis in the industry as there was in the early 1980s after oil supply shocks sent the cost of energy soaring.

As Mr Dag Flaa, chairman of the European Aluminium Association, points out, demand for aluminium last year reached a record 15.13m tonnes, a 3.6 per cent increase on the 1990 level. Ten years ago the industry was using only 80 per cent of capacity. Today the rate is 96 per cent. "This is again a confirmation of aluminium's strong position and future potential."

The European association expects aluminium demand to resume a 3 per cent annual growth pattern when the recession ends – the same growth rate forecast by Sumitomo when preparing its previously-mentioned estimates for aluminium supply and demand in the mid-1990s. However, Reynolds' Mr Helton used a more-conservative 2 per cent in concluding 13 new smelters are needed by 2002.

Aluminium sales are likely to ease back this year a little, particularly as even the weather has conspired against the industry. Unseasonably cool weather in the US cut cold drinks sales there and triggered a 3.9 per cent drop in shipments of aluminium for beverage cans. Aluminium also plays a solid role in building and construction, a market in recession for the past two years.

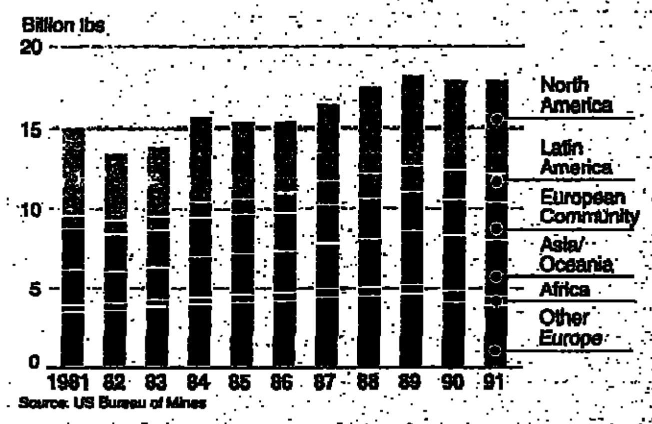
The industry reckons there is still much future demand growth to come from packaging – most of the world has a long way to go to catch up with North America in this respect – and car makers.

Recycling makes good commercial sense for the industry. It takes a great deal of energy to produce new aluminium but that energy is "stored" so that it can take as little as 5 per cent of the original energy to recycle the metal. Also, the capital cost of a plant to remelt aluminium is only about one tenth the cost of a primary smelter.

There have been worries that aluminium's relatively high price and, more importantly, price volatility arising from trading on the London Metal Exchange, might dent its prospects in the automotive industry. However, the aluminium producers believe they have already solved that problem. For example, Mr Yale Brandt, vice chairman of Reynolds, says: "We have told the auto companies that, if the volume of aluminium they want is high enough, we would make the metal available on a cost-related basis. But we must cover the cost of replacing capacity and other things."

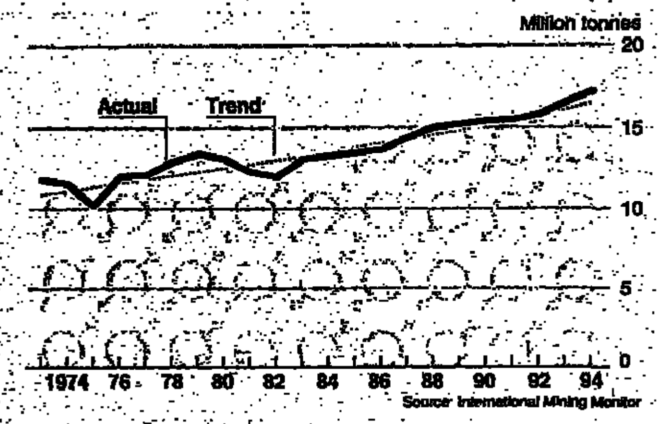
Meanwhile, the industry can't wait to get moving out of recession. According to Mr Allen Born, chairman of Amax, "the aluminium industry is gathering steam and heading for tighter market conditions in 1994 and 1995. That translates to a solid base of aluminium demand and higher prices for the long term."

**World primary production**



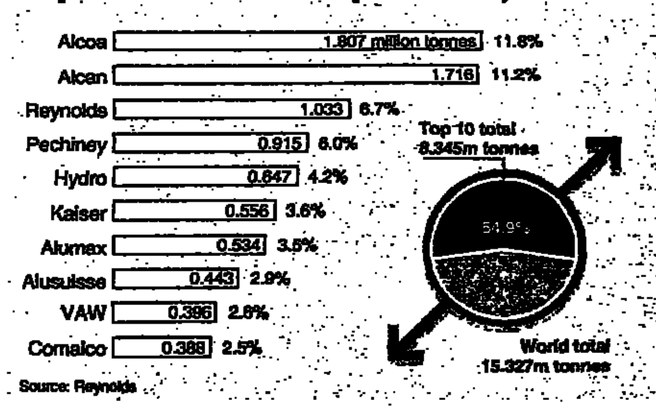

Source: US Bureau of Mines

**Western world consumption**



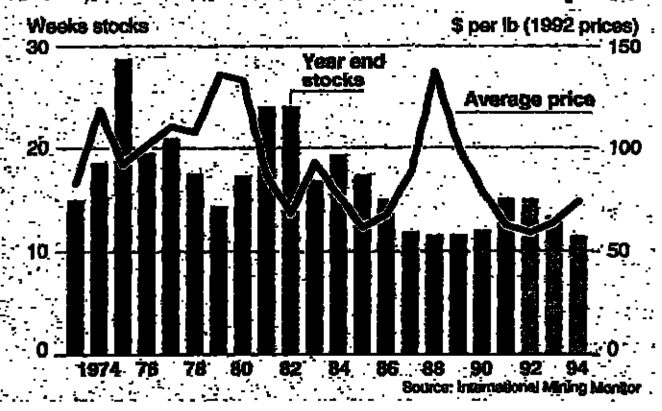

Source: International Mining Monitor

**Top 10 western world producers, 1991**




Source: Reynolds

**Stocks vs price**




Source: International Mining Monitor

SOME western aluminium producers claim their survival is threatened by Russia's determination to push out exports of the metal to earn desperately-needed hard currency. Russians are also paying a high price. Conditions are so poor in some Russian aluminium smelters that the average life expectancy of their workers is only 47 years.

If Russia's own anti-pollution regulations were enforced every one of its aluminium smelters would either have to close or curtail output substantially.

The cost of bringing these smelters up to date – to meet western standards for emissions and efficiency – is prohibitive under present circumstances: about $6.6bn to upgrade Russia's four biggest smelters alone.

Mr Horst Peters, general manager, technology marketing, for VAW Aluminium, who made this calculation, also suggests that Russia's aluminium fabricating industry requires huge sums to convert plants, originally set up to satisfy the country's defence industries, to the production of consumer products such as aluminium for cans and packaging materials.

He says at least one new 700,000-tonnes-a-year hot mill is necessary, which would cost $500m and about the same amount is required for other downstream projects.

Meanwhile, the aluminium industry in Russia and the rest of the Commonwealth of Independent States is crumbling. How long it can hold off near total collapse is anybody's guess.

Russian bauxite mines are being depleted and most will run out by the turn of the century. More and more alumina (produced from bauxite and the raw material from which aluminium is made) is having to be imported from the west. Only half the 5.25m tonnes of alumina capacity in the CIS is based on the modern Bayer process. The rest uses Pyrogen and Nepthaline processes which are completely uneconomic.

Mr Peters suggests that, as CIS energy costs are permitted to rise to world market levels (as they must do if the CIS is to meet International Monetary Fund membership requirements), most of the alumina plants will become highly uncompetitive. Alumina could be imported but the cost of shifting it

**Kenneth Gooding** on Russia's smelters

# Giants with a deadly breath

across Russia from port to smelter would be as much as $400 a tonne.

Russia's aluminium plants are short of spare parts, and other essential materials such as petroleum coke and pitch. Accident rates are unacceptably high.

When tested with all this, one Russian plant manager grinned and said: "You should have seen the smelters under the Communists." He implied that managers are used to working miracles to keep plants going.

Mr Paul O'Neill, chairman of the Aluminium Company of America, which sent an investigating team to the CIS recently, speaks of the Russian industry as "able to produce high-quality products in ghastly operating circumstances". The Alcoa team was impressed by the high level of education throughout the CIS smelter workforces and by some of the technology it found – arising from the former Soviet Union's willingness to provide unlimited resources for any material needed for military use.

Mr Stewart Spector, a New York-based aluminium industry consultant, points out it is virtually impossible to determine the real cost of CIS aluminium. The Russians claim it averages $500 a tonne. But there has been no power rate set by the Russian government. About 2.4m tonnes of Russia's 2.9m tonnes of capacity uses hydro-electric energy. Mr Spector estimates the cost of this power is probably one mill per kwh and "for political reasons this power will probably be subsidised and rates kept very low in future".

Wage rates are also low. "Even if you throw in all the non-productive labour cost which is usually part of a CIS smelter operation, unit labour cost ranges from one (US) cent to two cents a lb. That's less than the wage costs in most third world countries where there are aluminium smelters."

The CIS has one of the world's biggest aluminium industries. Its total primary aluminium smelting capacity is about 3.8m tonnes while output last year was 3.25m. Estimates of last year's exports vary, but Mr Spector estimates they included well over 1.1m tonnes of aluminium of all types, most of it destined for western markets. This year the CIS target is to export 843,000 tonnes of primary aluminium and possibly 943,000 if it can find the raw materials for the extra tonnage.

**In some Russian plants, there is so much pollution that the average life expectancy of their employees is only 47 years**

"The only way CIS plants are at present able to maintain production is with the help of western trading organisations willing to assume the financial risk of bartering alumina and other raw materials in exchange for aluminium ingot," Mr Spector suggests.

The damage done by the virtual doubling of CIS exports since 1986 has placed the western industry – which is being forced to close environmentally friendly smelting capacity to make room for metal from Russia's mega-polluters – in a quandary. Dumping allegations are out of the question because the international aluminium price is set by the London Metal Exchange. The European Commission is, however, "monitoring" the situation but the North American industry's position is summed up by Alcoa's Mr O'Neill who says: "It would be difficult to square the principle of free markets and open world trade by asking the Russians to curtail exports."

Some western companies believe their best bet to obtain relief from Russian export pressures is to help the CIS industry to modernise its smelters (this would automatically entail some cuts in output for some years while the work was done) and to convert fabrication plants to products for the CIS's domestic market.

"The industry needs to help with the conversion of Russian fabricators to the production of peace time products they need," says Mr Randy Reynolds, executive vice president, international, of Reynolds Metals. His company is involved in an aluminium foil project which will take molten metal from the Sayansk smelter in Siberia. This project is led by Fata, an Italian company. Reynolds is supplying technology and will sell some foil in western markets to repay loans and the rest in the CIS for food and cigarette packaging.

Reynolds is also talking to the Russian navy about using prefabricated aluminium housing developed by the US group to accommodate personnel released following the end of the Cold War.

The foil project was started before the Soviet Union collapsed. Mr Reynolds says: "Of course doing business in Russia is difficult. The decision-making process is difficult – there are many laws to prevent you doing business. The central bank does not exist any more. Some of our former partners don't exist any more. But it is to Russia's advantage to see it through."

Others are not so enthusiastic. Mr O'Neill says: "I don't know if there is a place for Alcoa in the CIS. We are not willing to sacrifice our values to do business in an unseemly way in life-threatening circumstances."

"There is only one certainty," suggests Mr Spector. "CIS production will trend down over the next several years. However, there is no way of figuring just how quickly or how soon it might decline. I am left with the feeling that one day production will grind to a halt."

■ MARKET PROSPECTS

# Pinpoints of light

MOST ALUMINIUM analysts believe that they can still see the light at the end of the demand tunnel that they first discerned in the early part of this year; but the tunnel itself is proving to be much longer than it appeared then, writes RICHARD MOONEY.

They generally agree, however, that the end of the economic recession, when it finally arrives, will bring a sharp rise in demand for aluminium, which responds more quickly than other base metals to improvements in industrial and consumer confidence.

The aluminium market held up well during the early stages of the present economic down swing and in 1991 western world consumption (excluding eastern Germany) totalled a record 14.95m tonnes. The trend in the second half of that year was already downwards, however, and the consumption figure was only 0.3 per cent up from 1990, compared with an average growth rate of 1.4 per cent in the period from 1979 to 1991, according to Billiton-Enthoven Metals.

Things appeared to be looking up in the first quarter of this year with US economic indicators assuming an encouraging aspect and European car sales showing signs of recovery. It seemed then that the economic prognostications circulating a year earlier were coming belatedly to fulfilment.

"Early in 1991," said Billiton in the May 1992 edition of its Aluminium Update publication, "the consensus was that the English-speaking economies would begin to recover in the second half of the year." But it gradually became apparent that the recession in those economies was more widely-based and would be more protracted than was first feared. "Also," added Billiton, "the extent of the slowdowns in Japan and Germany have been more severe than had been expected earlier."

The small rise in 1992 western world consumption of aluminium Billiton was projecting at that time – to 15.2m tonnes from 15.05m tonnes in 1991 (both figures including eastern Germany) – was mainly attributable to "continued expansion of the major non-mature economies, particularly those of the Pacific basin".

The 1992 consumption projection was left unchanged, as was the forecast for 1993 of 16.1m tonnes, in Billiton's late September market report. But the mood of the authors had changed from cautious optimism to qualified pessimism. In May they had suggested that the US economy was experiencing "a recovery, albeit a slow one"; but by September they were forced to conclude that "the US economy continues to stagnate".

Meanwhile in Japan, the report said, "things seem to be going from bad to worse" (Marubeni recently forecast that the country's aluminium consumption would fall by 8 per cent this year); and in Germany, according to the Bundesbank, "the western German economy is slowing down and an upturn in the depressed east is still some way away".

A somewhat less gloomy view was expressed in July by Anthony Bird Associates, the specialist aluminium consultancy. While admitting that "the economic outlook is still dogged by the very poor state of consumer and industrial confidence, especially in the once-resilient German and Japanese economies", Bird argued that "most of the fundamentals are sound", citing low interest rates ("at least outside Europe"), low inflation and subdued oil prices.

It found further encouragement in the fact that heavy consumer destocking did not seem to have been a feature of the aluminium market's weakness in the second quarter of 1992.

Bird also noted that aluminium's competitive position remained very strong "in almost every market" at current depressed prices. It forecast demand growth in 1993 of 6.5 per cent, a little stronger than that suggested in the Billiton reports, followed by 3.8 per cent in 1994 and 3.2 per cent in 1995.

Billiton, in its September report, agreed that the prospects for aluminium demand were somewhat brighter for next year. "We believe that a period of sustained recovery will be under way in the first half," it said, "and that this will result in a sharp rise in demand, following several years of below trend growth." But it questioned how quickly this would translate into higher prices. "It could well be 1994 before the aluminium industry enjoys the full benefits of economic recovery," Billiton said.

In the longer term consumption prospects inevitably depend to some extent on the response of the market to changes in the supply/demand balance.



**Richard Mooney** on why producers are glum

# The dawn was false

FLAGGING consumption, record production and stocks and historically low prices add up to an unappetising recipe for any commodity sector. To most people the obvious prescription for the indigestion felt by producers in such a situation, especially those whose operating costs were not being covered in the market place, would be a substantial dose of capacity mothballing, if not outright scrapping.

To the more far-sighted, however, the danger of overdosing on retrenchment and so blighting the longer term prospects of the industry as a whole might be regarded as a comparable, if not greater, evil.

That was the attitude taken a year ago, when the aluminium market faced just such a situation, by a considerable number of industry analysts. They need not have worried. Producers did not cut output on the scale feared by the analysts, consumption did not turn upwards as many had expected and as a result the market remains sumptuously oversupplied with aluminium at prices even lower than the sadly depressed levels of October, 1991.

The mood of the aluminium producing sector late last year was somewhat equivocal. The fundamental situation was certainly bad. But there seemed no reason to panic as the factors that were depressing the market could mostly be regarded as short term. The world economic recession could not last much longer; neither could the heavy influx of metal from the former Soviet Union. And many producers felt that while some rationalisation of production capacity might be prudent in the circumstances, it could safely be left to their competitors.

A rise in prices early this year seemed for a while to justify that attitude and there was a noticeable drying up of cutback announcements to augment those promised in late 1991, most of which had been completed by the end of the first quarter. But the price rise proved to be a false dawn, and as Billiton-Enthoven metals put it in the May edition of its Aluminium Update, it was "in no way reflected in a turnround in this market's fundamentals", which remained "to say the least, unconstructive".

**Production costs in US cents per pound**

| Country | Cost | Company | Cost |
|---|---|---|---|
| AUSTRALIA | 45 | ALCAN | 50 |
| BRAZIL | 55 | ALCOA | 51 |
| CANADA | 43 | ALUMAX | 49 |
| FRANCE | 52 | ALUSUISSE | 69 |
| GERMANY | 67 | COMALCO | 51 |
| JAPAN | 58 | HYDRO AL | 64 |
| NORWAY | 63 | KAISER | 58 |
| SPAIN | 80 | PECHINEY | 56 |
| UK | 63 | REYNOLDS | 50 |
| USA | 56 | VAW | 80 |
| VENEZUELA | 42 | | |

Source: Anthony Bird Associates

Consumption remained "muted", Billiton said; production cuts had "not had the desired impact"; and stocks had continued to rise "swelled further by resumed shipments from the CIS".

Billiton suggested a variety of reasons why producers might hesitate to cut output:

- the costs involved in shutting or mothballing plants;
- the willingness of large integrated producers to operate high-cost smelters and accept the metal as a transfer price within their operations: "In the hope that the less efficient among the independents would take the decision to close";
- the linking of power and/or alumina (aluminium oxide) prices to the price of the metal, particularly in the US. "Thus," it explained, "falling metal prices exert significant downward pressure on the cost curve of the industry;"
- the fact that many producers were able to "lock in" higher prices by selling forward late in 1990, when the market picked up. "The more modest improvement in prices since the start of this year has also encouraged some forward selling," Billiton added.

According to the Spector Report, a New York-based aluminium industry consultancy, permanent plant closures in 1991 amounted to 372,000 tonnes and temporary closures to 623,000 tonnes.

The effect of these cuts shows up in figures from the International Primary Aluminium Institute. The average daily production rate fell from a

☐ Contd on facing page

■ RECYCLING

# Old cans for new

**DAVID BLACKWELL on the use of reclaimed cans as a raw material**

*"GIVE ME* a girl at an impressionable age, and she is mine for life," says the eponymous teacher in Muriel Spark's novel *The Prime of Miss Jean Brodie*.

This is certainly the hope of the Aluminium Can Recycling Association (Acra), which over the past three years has set about educating the UK public about the wonders of the aluminium can. This year surveys show that 53 per cent of the population aged between seven and 14 say they recycle their cans, compared with only 30 per cent of adults.

Marketing campaigns, the setting up of 350 recycling centres, collection points at more than 1,000 supermarkets and high profile campaigns on children's television have succeeded in giving aluminium a "green" image. Schools and charities have caught on to the fund raising possibilities.

Aluminium also appears to be getting the upper hand in its battle with steel, which is after all just as recyclable. But aluminium's high intrinsic value more than covers the cost of separating it out before it enters the waste stream. Steel is more cheaply recovered by waving a magnet over refuse.

Mr François Pruvost of Pechiney told an international aluminium conference in Oslo last month that during the last three years about 60 per cent of newly built canning lines in Europe are using aluminium as the raw material versus 40 per cent for steel. "We expect the aluminium share of the market to progressively reach 65 to 70 per cent towards the end of the century," he said.

In the UK itself the decision by Coca-Cola to convert its canning lines to aluminium will largely contribute to the metal taking 72 per cent of the market in 1993, compared with only 40 per cent in 1989.

Mr Pruvost pointed out to the conference that aluminium could not afford to rest on its laurels. "Packaging is 10 times more important for aluminium than for steel and the two piece beverage can is 160 times more important for aluminium than for steel. Research and development efforts in packaging and cans are therefore given a much higher priority in the aluminium industry than in the steel industry and this also makes me optimistic about the future."

Acra feels that it is doing well in the UK, the biggest market for canned beverages in Europe, with per capita consumption of about 125 cans. This year out of a total beverage can consumption of 7.2bn, aluminium accounted for 4.3bn cans; next year the metal's market share is expected to be 5.4bn cans from a total of 7.4bn.

The association is aiming to meet the European aluminium industry's target of recycling 50 per cent of all aluminium can production by 1995. The extent of its ambitions can be seen by the fact that at the end of last year only 15 to 16 per cent was recycled. In the US and Australia more than 60 per cent of drink cans are recycled.

The industry has had to expand its recycling infrastructure to feed a £28m facility at Warrington in northern England dedicated only to can processing. The plant was established last year by Alcan of Canada, and is the first of its kind in Europe.

Last year Warrington, which will ultimately have a capacity of 50,000 tonnes, processed 2,180 tonnes of used cans and other aluminium scrap collected by Alcan. While it has already processed 2,259 tonnes of UK cans in the first half this year, it is having to import the rest of its feedstock, mostly from the US.

However, in August Acra opened the last of seven regional centres in the UK where scrap merchants and other collectors can exchange cans for cash. These "aggregation centres" enable merchants to take 250kg loads of used cans to collection points close by instead of having to deliver direct to Warrington or to the Swansea collection centre operated by the Aluminium Company of America (Alcoa). Merchants get the same factory gate price as paid at Warrington (about £700 a tonne) and receive their cash between seven and 10 days after delivery.

In the rest of Europe (including the European Free Trade Area countries) aluminium accounted for nearly half the 21bn cans consumed. Of these about 21 per cent were recycled – twice the percentage in 1987. Sweden, which has a mandatory deposit scheme on cans, had the highest recycling rate at 85 per cent, followed by Iceland at 75 per cent and Switzerland at 50 per cent.

Aluminium is a relative newcomer to the food and drink industries, appearing first in 1958 with the revolutionary easy open end. Improvements are still being made. Mr Pruvost of Pechiney said that the thickness of can bodies had been reduced by 45 per cent and can ends by 15 per cent over a 20-year period.

But the industry is under no illusions that mere technology will win the packaging battle. "We have a 50 per cent recycling target for the mid-1990s," said Mr Alexander Wirtz, chairman of the European Aluminium Association's packaging committee. "In order to achieve it we need the support of consumers, retailers and municipalities."

Environmental concerns should help to give aluminium the edge, he feels. "The challenge of the 1990s is, I believe, ecology – it is important we improve across Europe our waste management practices. Aluminium's life cycle is ideally suited."

## Producers' gloom

□ Contd from facing page

peak of 41,000 tonnes in June, 1991 to 39,700 tonnes in December, then held steady until falling further to 39,300 tonnes in March. But then the effect of new capacity and expansions began to overtake that of the cutbacks and by August the figure was back to 40,200 tonnes.

"In the absence of further cutbacks this rebound in production is sure to continue," said Billiton in its late-September Metals Report.

While Pechiney's new 215,000-tonnes a year smelter at Dunkirk had been fully operational since mid-May there was more to come from two new smelters in Quebec, Lauralco, at Deschambault, and Alouette, at Sept Isles. Both these 215,000-tonne units were well on the way to full production, Billiton said, the former scheduled for this month and the latter in December. In addition the 235,000-tonne Alba expansion in Bahrain was reported to be ahead of schedule, with a fourth potline likely to be on stream by December.

*Overall, the Spector Report* says, these projects will have added 900,000 tonnes to annual capacity and 394,000 tonnes to expected 1992 production.

Further production boosts have come from Indonesia's Inalum, after increased rainfall enhanced availability of hydro-electric power, and Canada's Alcan, which this month restarted three potlines totalling 67,500 tonnes a year, closure of which occurred last year due to a water shortage.

Future expansion plans are thin on the ground. Alusaf has a 400,000 tonnes a year plant in South Africa on the drawing board. But financing for that project has yet to be finalised and an environmental impact report, which could delay or perhaps kill off the plan, is expected any day.

Further advanced but equally doubtful is a 180,000 tonnes a year plant in Nigeria for which Reynolds Metals of the US, which has an 11 per cent interest, is providing the technology. The Nigerian government is financing the whole of the $1.66bn project, which Mr Randolph Reynolds, executive vice president, international, of Reynolds Metals, recently said was "coming along slowly". He added that his company was "being very cautious and making sure the money is available before making any move".

In Australia a decision is expected before the end of this year on a possible doubling of capacity at Comalco's 230,000 tonnes a year Boyne Island smelter in Queensland. This project is complicated by the need, if it is to go ahead, for a consortium including Comalco to spend A$750m on buying the nearby Gladstone power station from the Queensland state government.

Billiton, in its September report, put 1991 western world production (including Yugoslavia) at 15.11m tonnes, which was more or less in line with the July estimate of Anthony Bird Associates, a specialist aluminium consultancy, of 14.81m tonnes (excluding Yugoslavia). The two reports agreed that output would be down this year – Billiton suggested 14.75m tonnes and Bird 14.49m tonnes – but while Bird saw the fall continuing to 14.31m tonnes in 1993 Billiton, with the benefit of another two months of data, thought the uptrend would be resumed, *taking the 1993 figure to about* 15.1m tonnes.

Some divergence is also apparent on the prospect for CIS exports. In July Bird projected "net socialist exports of aluminium [including Yugoslavia] of 750,000 tonnes in 1992, down only slightly from 1991's 800,000 tonnes". But in the longer term it suggested that "although there may be great uncertainty about the timing of the coming decline in CIS exports, we have little doubt that the decline will happen, and that it will be severe". It explained that few of the "technically very inefficient" CIS smelters would be able to stay in business when they had to pay realistic prices for their inputs.

In contrast Billiton has warned against pinning hopes on a big cut in CIS exports, noting that recent reports suggested that they could this year be as high as the 1991 record, which it put at 875,000 tonnes, "and will remain high for the foreseeable future because of the country's need for hard currency".

"There is the possibility that CIS smelters could be forced to close or reduce output markedly if environmental laws are enforced stringently," it added. "But few regard this as likely in the near future."

LME launches scrap metal contract

# Alloy! alloy!

ONLY 12 MONTHS ago the chances of a contract in aluminium alloy getting off the ground were put at just 50-50 by some members of the London Metal Exchange. The subject was a hot potato, arousing passionate debate between the industry and the exchange for more than two years.

The contract, for trading in alloy made from recycled scrap, has now been running for three weeks , and it looks as though the LME's cautious approach and painstaking ground work will pay off. The exchange has a lot riding on the new contract. Leaving aside the high grade aluminium contract (which replaced the initial aluminium contract) and the relaunched tin contract, the aluminium alloy contract is its first new product for 13 years.

The arguments against the contract are familiar. "It will open the market up to speculators and gamblers, which is not in our best interests," said one US alloy producer.

The Organisation of European Aluminium Smelters and the Japan Aluminium Alloy Refiners Association said were flatly against the contract. But events have shown that they cannot afford to ignore it. Traders were already making money from the contract before the market officially opened on October 6. "Interest is very high," said Mr Hans Murmann, jointmanaging director of Metallgesellschaft's London subsidiary. We have traded many thousands of tonnes." He pointed out that the LME's timing – all important in the launch of a new contract – looked good. "Secondary aluminium smelters are losing money because of the poor state of the economy and they are pleased to let the LME have metal for ready cash."

Mr Ralph Kestenbaum, chairman of the LME's aluminium alloy committee, said that on the unofficial market in August and September alloy had been traded at a $10 a tonne premium to the primary aluminium contract, and also at a $65 discount. This showed that the primary contract was not a satisfactory proxy for alloy and the new contract was needed.

The first fortnight of trading has been slow, but this is hardly surprising given the depressed state of the base metals markets. Mr John Wolff, LME chairman, said: "It will take time to bed down. But it is a very large market and growing."

Secondary aluminium production is about 4.5m tonnes a year, mainly of automotive grade alloy. The motor industry uses more than 70 per cent of production. By the time of the contract launch 47 alloy brands had been registered by producers, between them accounting for about 2m tonnes a year output.

The contract specifies three grades for delivery – German DIN 226, Japanese AD12.1, and US A380-1. These represent the basic – or in the words of one trader "bog standard" – die-casting specifications in Japan, Europe and the US, the three main consuming regions. Although the three chosen grades vary slightly they are designed for the same function – automotive die-casting - and consequently in practice there is little difference in their prices.

**Madonna, the pop singer, is doing her bit to boost aluminium demand. The first 850,000 copies of her book "Sex" have aluminium covers. About 340 tonnes of the metal is being used, according to the production company**

The contract is in US dollars, covers lots of 20 tonnes and can be traded 15 months forward.

Hitherto, pricing in the industry has been archaic, according to Mr Martin Abbott, the LME's director of marketing, and some people felt it was hindering the development of the industry. Prices were assessed and published by the trade and the trade press – a system unsuitable for a large volume business with many aparticipants.

The industry tended to ignore the published price and offer discounts. There was no hedging for forward fixed price contracts, said Mr Abbott. Hedging against the exchange's primary aluminium contract was ineffective, as the secondary market was driven by different factors and price movements could diverge.

Smelters have had to pay for their scrap metal purchases by the end of a calendar month. They have been selling their aluminium alloy to consumers who should pay within 60 days. But in present economic conditions consumers often keep suppliers waiting 90 days.

Now smelters – always seen as the key to the success of the new contract – can hedge against movement in both aluminium scrap and aluminium alloy, locking in firm futures prices for both.

The LME regards itself as a risk management forum, with delivery of metal to one of its warehouses as a system of last resort. Storage of aluminium alloy has been one of the most contentious issues surrounding the new contract. Some suggest that the alloy – which contains some copper or zinc – oxidises in a few days.

So far the LME has authorised 12 warehouses for aluminium alloy, spread between France, Germany, Italy, the Netherlands, the UK and the US. All have the necessary temperature and humidity control equipment so that the onset of oxidation can be minimised.

What effect the contract has on the industry remains to be seen. Some traders suggest that the impact will be profound as it threatens the price cartels alleged to exist in Japan and Germany. The Japanese, however, point out that none of their production reaches the free market as it is all sold under contract on a long-term basis.

If the contract takes off, the industry will certainly never be the same again.

**David Blackwell**

Aluminium is increasingly replacing steel in cars, writes **Kenneth Gooding**

# Charge of the lightweight brigade

Ford's Contour car, developed with Reynolds Metals, promises significant weight savings

A CHEER went up from the aluminium industry when it became clear that Mr Ferdinand Piëch will next January take over as chief executive of Volkswagen of Germany, the world's fourth-largest automotive group. An innovative engineer, Mr Piëch is boss of VW's Audi subsidiary and for the past 10 years has enthusiastically driven that organisation towards using much more aluminium in its up-market cars.

Next year Audi will launch an "aluminium intensive" car based on a revolutionary spaceframe concept – skeleton-like car bodies made from aluminium – and using aluminium sheet components for the floor pan and body panels. This vehicle was jointly developed with the Aluminium Company of America (Alcoa) which has set up a $70m plant in Soest, Germany, to make the spaceframe components which it expects to sell to other car makers too.

Mr Paul O'Neill, chairman of Alcoa, says: "Mr Piëch – a far sighted leader who has been supporting the aluminium intensive vehicle project for a decade – is now to become chairman of the whole of Volkswagen and this must be good for the innovative use of aluminium as a material in autos." Alcoa is not alone in the spaceframe business. Reynolds Metals' technology was used for the Ford Contour, a one-off "concept" sports car.

Ford, the world's second-largest automotive group, says it is evaluating an aluminium spaceframe for possible introduction in a 1997 or 1998 car. The group also predicts that the average aluminium content of its US cars (at present about 176 lbs or 79.8 kgs) will increase to 500lbs (227 kgs) by the year 2005.

The spaceframe concept is also well-known to General Motors, biggest group of its kind in the world. GM is to build a car based on an aluminium spaceframe at an annual rate of 10,000 a year from 1993. Called the Impact, it is an electric car developed to meet California's requirements for some totally pollution free cars.

**Car manufacturers believe that one day they may be forced to build recyclable vehicles**

Among the world's other top six car companies, Toyota, Nissan and Honda of Japan are already deeply committed to using more aluminium. Honda's NSX sports car, launched in September 1990, is the most aluminium intensive car on the road today and contains 1,000 lbs of the metal.

The most gung-ho forecasts about the use of aluminium in cars come from Japan's Ministry of International Trade and Industry (MITI). It predicts that demand for aluminium from Japan's car makers will reach 1.87m tonnes by 1995, more than double the 1989 level.

This confident forecast springs from the knowledge that Japanese manufacturers have decided that only substantial use of the lightweight metal will enable them to meet increasingly stringent fuel economy and pollution regulations in the US, their most important market, without reducing the size of their vehicles to unacceptable proportions.

Similar predictions are being made about European cars which are now about 5 per cent aluminium by weight. It is widely suggested this will go up to 20 per cent by the year 2000. Mr Jochen Schirner, chairman of VAW, Germany's largest aluminium company, says that, even if the increase is only to 10 per cent of the average car, it would mean each new vehicle carrying about 100kg of aluminium and boost demand for the metal in Europe by about 1.5m tonnes a year. This represents a jump of nearly one third on the present 4.6m tonnes.

US car companies used an average of 176lbs (79.8kg) of aluminium in each vehicle last year and some analysts are more bullish than Ford and predict this will rise to 600lbs (272kg) by the year 2000. If there is some increase in car production over that time, an extra 6m tonnes of aluminium might be required.

Put those figures in the context of total aluminium (including scrap) usage last year of not quite 20m tonnes and it is easy to see why Mr David Morton, chairman of Alcan of Canada, says the aluminium industry can expect an "avalanche" of new business from the automotive industry.

Apart from weight saving considerations, the switch by car makers to aluminium is also being heavily influenced by environmental pressures and the car makers' perception that one day they all might be forced to produce recyclable cars.

Mr Yale Brandt, vice chairman of Reynolds Metals and who is responsible for that company's relationships with the automotive groups, points out that this is where aluminium's role as an "energy bank" is so important. "If you put 5 cents worth of electricity into aluminium, you get more than 4½ cents back when the aluminium comes back as scrap."

VAW's Mr Schirner says: "Cars in the future will be dismantled into their components within minutes. Aluminium is a high-value material that cries out for several life cycles."

Much of the increase in the use of aluminium in cars so far has come from substituting the light metal for other materials. But aluminium is about four times the price of steel – the traditional material used in cars – so not everybody in the motor industry is enthusiastic about using vast quantities even though it is only half the weight.

The aluminium industry's response was to find a way of designing a car from a clean sheet so as compensate for the extra cost of the material. It believes it has achieved this with the spaceframe concept.

Alcoa says, for example, it has cut the number of components required by about half from the number needed for a conventional steel car body structure. This reduces capital, tooling, labour, stock and other costs yet produces a car 30 to 40 per cent lighter than a structure of equal stiffness made of steel.

Hydro Aluminium of Norway is, like Alcoa, using extrusions for the spaceframes it has developed. (Alcan, on the other hand, has chosen to build its spaceframe of sheet aluminium.)

Hydro has developed aluminium spaceframes for Pininfarina, Porsche and Tresser and is setting up a production unit to make them in Michigan, US. Although it will not name its US customer, the project dovetails neatly with GM's launch of the Impact electric vehicle.

Mr Ivar Hafsett, Hydro's president, suggests the aluminium industry still has a great deal of work ahead before it can achieve the final breakthrough – the use of the technology in mass-produced cars. At present aluminium spaceframes are suitable only for relatively small-volume models, produced at an annual rate of no more than 100,000.

Much will depend on another project in which Hydro is involved – the F360m Mosaic venture with Renault. This is part of the Eureka programme in which European car producers and their suppliers have joined together to do some basic research.

Mosaic has a target of using new materials and methods to achieve a 20 per cent reduction in the weight and a 9 per cent reduction in cost of a car's body-in-white plus a 9 per cent reduction in total investment cost. Mid-way through the programme, which should be completed at the end of 1993, there is stiff competition between two versions: an all-steel car which is assembled with adhesives and a hybrid solution which involves Hydro's aluminium spaceframe and plastic panels. This is a true mass production vehicle rather than a limited volume specialised car.

As Mr Hafsett suggests: "Our decade will see a lot of spaceframe-based experimental cars and cars made in small volumes. The ultimate breakthrough to mass-produced cars will have to wait until the next century."

However, Mr Brandt at Reynolds adds a cautionary note. "Ultimately, the move to more aluminium in cars does not depend entirely on what the automotive industry or the aluminium industry wants – but on what society wants."



■ STOCKHOLDERS

## Victims of the deepening recession

THERE ARE a lot of low prices out there and it's pretty tough. That is the view of Mr Colin Dawe, chairman of the UK Aluminium Stockholders Association, who is predicting another year of tough economic climate and low metal prices, writes DAVID BLACKWELL.

Twelve months ago the ASA – along with every other industry – was hoping that the recession was coming to an end. "The stockists were the first in and they should be the first to feel an upturn," says Mr Dawe.

But while a couple of months early this year did appear to indicate better times ahead, May and August were the worst months on record for aluminium sales. "Since the [UK general] election in April things have got even more desperate and competitive," says Mr Dawe. "Clearly we are not getting out of recession. The building, construction and transportation industries remain deeply depressed, and there is no real sign of recovery."

He especially cites the aircraft industry, which used to be the ASA's glamour sector. After five or six years of heady growth, the industry's aluminium consumption is down 35 per cent on last year as defence demand has fallen and airline orders have been delayed.

Last year the ASA was worried that it was stuck with sales at the 1984 volumes but costs at 1991 levels. This year sales by volume are expected to fall to a total of 94,000 tonnes of rolled and extruded aluminium, compared with 103,000 tonnes worth about £235m in 1991. In the boom year of 1988, the association's members sold 120,000 tonnes of aluminium worth £266m.

Consumption in the rolled sector, which sells to a wide range of engineering companies, is expected to be down this year to 70,000 tonnes from 73,000 tonnes in 1991. Demand in the extrusion sector, which makes sections for the building and transport industries, is predicted to fall to 24,000 tonnes this year from 1991's 30,000 tonnes.

ASA members have been forced both to rationalise their industry and to continue moving towards added value products. "Some 10 per cent of the warehouses we had in 1988-89 have been closed through rationalisation in a bid to cut costs and improve efficiency and assist in the task of driving down working capital," says Mr Dawe.

Inevitably jobs have also been shed, and Mr Dawe estimates the number of people now employed in the industry at just 2,000, down from 2,600 in 1990. Even so, it has remained hard to make acceptable profits. Distribution costs have risen as the number of deliveries made has remained static but the quantities and values are much smaller than they used to be. "Our major task is to generate sufficient cash to keep our businesses solvent," says Mr Dawe.

The association, which now numbers 25 companies, is trying to build closer links with its suppliers, and has recruited 11 of them as associate members. It is also trying to force the pace of standardising to the metric system.

Although metrication has been under way in the UK for years, a great deal of industry is still entrenched in the imperial system, according to Mr Dawe. The ASA and its associate members are forming a study group to decide on common metric standards. It believes that suppliers will find significant advantages in settling for common standards and specifications across Europe.

**Since the late 1980s boom, stockholders have also seen themselves as metal-bashers**

But the benefits should spread all down the line to the customer, Mr Dawe believes. Stocks will be reduced, administration made simpler, and overheads cut, and UK industry will be offered a product range equal to their European competition.

The stockholders see themselves as metal bashers, a role they began to take on in the boom years of 1987 and 1988. Investment in processing aluminium has continued, says Mr Dawe, and 65 per cent of the aluminium which goes through the stockholders is now processed before it is goes to their customers. "We are taking away from our customers what they often regard as simple processes. We are often preparing component parts which will go straight to their more complex machinery."

Just-in-time delivery has also become more important and stockholders have sharply reduced their own stocks, which were worth £70m in the late 1980s, but are now down to £45m, equivalent to 10 weeks' sales.

Mr Dawe feels there is room for further improvement. "I still regard this as too high. We have to work more closely with supply mills to reduce lead times. We have set ourselves a target of having only two months' inventory."

By the time the recession ends, aluminium stockholders will be leaner, fitter and ready to respond quickly. Mr Dawe says: "We have all learned a hard lesson from the excesses of 1988-89. We will never again have high stocks in a falling market."

# LONDON STOCK EXCHANGE

# Shares firm after speculative session

By Terry Byland,
UK Stock Market Editor

TENSIONS regarding the timing of the next cut in domestic interest rates tightened in the UK stock market yesterday morning, bringing an effective rejection from the Bank of England of rumours of an impending two-point reduction in its minimum lending rate. The rumours appeared to be founded on an early fall in sterling, which was interpreted as an indication of a flight from the currency ahead of rate cuts.

Share prices opened uncertainly, helped at first by overnight firmness in the New York market. But with investment interest still thin – Monday's retail business was worth only £773.1m – equities resumed their downward drift and the FT-SE Index was 20 points off when the December stock index futures jumped sharply as the interest rate rumours reached the equity sector.

The rumours were remarkably explicit, claiming that the UK base rates would be cut by two points before the end of the day, and without waiting for the policy speech in the City of London tomorrow from Mr Norman Lamont, chancellor of the exchequer.

The stock market turned round sharply, advancing to a gain of 16.4 on the Footsie, although most of the buying came from marketmakers anxious not to be caught on the wrong foot again. But the Bank of England took action in the Treasury bill markets, which was seen to rule out a base rate move during yesterday's trading session.

Equities quickly topped off, although London was sustained later by news of unexpected 2.7 per cent growth in the third quarter's Gross Domestic Product in the US. The final reading of 2,669.8 on the FT-SE Index showed a net gain reduced to 8.2 points.

When the dust had settled, equity traders admitted that the sudden wave of base rate speculation had changed little in terms of market perceptions. Many strategists believe that the next cut in base rates may be held back until the government's autumn economic statement, due on November 12. But an earlier move is not ruled out by a stock market aware of the political pressures bearing down on the government's economic strategy. "If we don't get the rate cut this week, then perhaps it will be next week," said one trader resignedly.

The speculative excitement boosted Seaq turnover to 550m shares yesterday, compared with 456.3m on Monday. Once again, the institutions showed interest in the second-line issues and remained selective in their purchases of Footsie stocks.

The investment background remained gloomy, with the latest quarterly survey from the Confederation of British Industry indicating continued pessimism.

There were further reports of staff cutbacks among the big London-based securities firms where, despite the increase in equity business over the past two months, profitability is still a serious problem.

Complaints that the existing securities trading system in London is undermining the marketmaking function have revived, together with predictions that some form of order-driven system could begin to evolve if changes are not made soon.

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 14 | 428 | +18 |
| ASDA Group | 8,500 | 42 | +½ |
| Abbey National | 2,800 | 231 | +4 |
| Albert Fisher | 5,900 | 46 | +1 |
| Allied-Lyons | 659 | 639 | |
| Amstrad | 281 | 25 | |
| Anglian Water | 950 | 439 | +4 |
| Argos | 2,200 | 355 | -2 |
| Argyll Group | 1,600 | 380 | |
| Arjo Wiggins | 3,000 | 187 | -2 |
| Ass. Brit. Foods | 231 | 443 | -4 |
| Ass. Brit. Ports | 155 | 297 | -2 |
| BAA | 1,300 | 725 | +2 |
| BAT Inds. | 3,500 | 875 | -17 |
| BET | 1,800 | 105 | +1 |
| BICC | 1,300 | 249 | +1 |
| BOC | 876 | 703 | -7 |
| BP | 5,000 | 235½ | +½ |
| BPB Inds. | 1,600 | 171 | -3 |
| BT | 6,300 | 369½ | -2½ |
| BT New | 2,300 | 263½ | -2½ |
| BTR | 2,000 | 490 | -2 |
| Bank of Scotland | 3,800 | 115 | |
| Barclays | 8,300 | 339 | -6 |
| Bass | 1,800 | 658 | -2 |
| Berisford Int. | 516 | 16 | |
| Blue Circle | 1,700 | 152 | -5 |
| Booker | 483 | 379 | -6 |
| Boots | 2,000 | 471 | -11 |
| Bowater | 475 | 865 | -17 |
| Brit. Aerospace | 580 | 138 | +2 |
| British Airways | 6,300 | 295½ | -9½ |
| British Gas | 4,100 | 268 | -½ |
| British Land | 1,000 | 174 | +3 |
| British Steel | 45,000 | 52½ | -3½ |
| Bunzl | 1,900 | 101 | -1 |
| Burmah Castrol | 865 | 648 | -4 |
| Burton | 11,000 | 47 | +2 |
| Cable & Wire. | 2,500 | 600 | +8 |
| Cadbury Schweppes | 1,400 | 460 | +5 |
| Calor Group | 247 | 221 | +2 |
| Carlton Comms. | 991 | 729 | +5 |
| Coats Viyella | 513 | 214 | +5 |
| Comm. Union | 1,500 | 582 | -1 |
| Cookson | 827 | 157 | -1 |
| Courtaulds | 486 | 488 | +3 |
| Dalgety | 1,000 | 440 | |
| De La Rue | 93 | 850 | -2 |
| Dixons | 923 | 225 | |
| Eastern Elect. | 1,700 | 374 | +1 |
| East Midland Elect. | 204 | 380 | +2 |
| Eng China Clays | 2,000 | 429 | -1 |
| Enterprise Oil | 2,100 | 441 | -2 |
| Eurotunnel Units | 504 | 387 | +3 |
| FKI | 6,000 | 88 | -1½ |
| Fisons | 681 | 229 | |
| Forte | 3,400 | 172 | +1 |
| Gen. Accident | 900 | 554 | +5 |
| General Elect. | 8,100 | 244 | +½ |
| Glaxo | 5,500 | 803 | +19 |
| Glynwed Int. | 428 | 206 | -7 |
| Granada | 607 | 285 | -1 |
| Grand Met. | 8,100 | 399 | +1 |
| GUS A | 478 | 1533 | -10 |
| GRE | 5,800 | 160 | +1 |
| GKN | 451 | 404 | -1 |
| Guinness | 2,300 | 549 | +1 |
| HSBC (75p shs) | 12,000 | 504 | +19 |
| Hammerson 'A' | 81 | 214 | -1 |
| Hanson | 5,300 | 233¼ | +2 |
| Hanson Warrants | 3,700 | 20½ | +½ |
| Harrisons Crosfield | 817 | 129 | -3 |
| Hillsdown | 1,900 | 106 | |
| IMI | 1,000 | 230 | -4 |
| ICI | 1,000 | 1073 | +7 |
| Inchcape | 2,100 | 505 | -1 |
| Kingfisher | 1,300 | 541 | +1 |
| Kwik Save | 279 | 734½ | +14½ |
| Ladbroke | 2,700 | 167 | |
| Land Securities | 660 | 414 | +1 |
| Laporte | 815 | 618 | +17 |
| Legal & General | 818 | 371 | +6 |
| Lloyds Abbey | 156 | 387 | +7 |
| Lloyds Bank | 1,600 | 460 | +7 |
| LASMO | 3,300 | 178 | -3 |
| London Elect. | 1,100 | 497 | +8 |
| Lonrho | 530 | 88 | -1 |
| Lucas | 2,500 | 108 | +1 |
| MB Caradon | 2,400 | 269 | -6 |
| MEPC | 821 | 320 | |
| Manweb | 988 | 452 | +4 |
| Marks & Spencer | 4,200 | 343 | |
| Midlands Elect. | 609 | 419 | +19 |
| NFC | 144 | 257 | -2 |
| NatWest Bank | 3,600 | 383 | +4 |
| National Power | 4,200 | 247 | -2 |
| Next | 1,800 | 108 | -½ |
| North West Water | 205 | 455 | +2 |
| Northern Elect. | 93 | 420 | +7 |
| Northern Foods | 3,200 | 263 | +6 |
| Norweb | 882 | 410 | +2 |
| Pearson | 723 | 373 | -5 |
| P & O | 549 | 442 | +4 |
| Pilkington | 4,000 | 88 | -2 |
| PowerGen | 8,200 | 249½ | -1½ |
| Prudential | 2,700 | 282 | +1½ |
| RHM | 3,800 | 350 | +4 |
| RMC | 190 | 458 | -2 |
| RTZ | 1,800 | 624 | -4 |
| Racal | 8,600 | 159 | +4 |
| Rank Org. | 1,500 | 556 | -8 |
| Reckitt & Colman | 385 | 649 | +10 |
| Redland | 2,200 | 332 | -10 |
| Reed Intl. | 1,600 | 586 | +5 |
| Rentokil | 541 | 191 | +2 |
| Reuters | 289 | 1220 | |
| Rolls Royce | 3,700 | 132½ | +1½ |
| Rothmans | 892 | 847 | -4 |
| Ryl Bk Scotland | 4,100 | 173 | |
| Royal Insurance | 1,509 | 209 | |
| Saatchi | 62 | 158 | |
| Sainsbury | 1,000 | 494 | +5 |
| Scottish & New. | 43 | 426 | |
| Scot. Hydro-Elect. | 1,600 | 220 | +1 |
| Scottish Power | 2,500 | 203 | +1 |
| Sears | 6,600 | 88 | -2 |
| Sedgwick | 4,500 | 182 | +4 |
| Seeboard | 363 | 403 | +9 |
| Severn Trent Water | 442 | 424 | +2 |
| Shell Transport | 3,300 | 536 | +3 |
| Siebe | 1,400 | 344½ | +9½ |
| Slough Ests | 132 | 135 | +3 |
| Smith (W.H.) A | 521 | 489 | |
| Smith & Nephew | 2,600 | 154 | +½ |
| SmKl Beecham | 2,800 | 519 | +8 |
| SmKl Beecham Uts. | 3,900 | 461 | +11 |
| Smiths Inds. | 407 | 313 | +1 |
| Southern Elect. | 1,800 | 387 | +6 |
| South Wales Elect | 527 | 486 | +3 |
| South West Water | 38 | 459 | +5 |
| South West. Elect. | 361 | 410 | +3 |
| Southern Water | 256 | 420 | +1 |
| Standard Chartd | 384 | 468 | -8 |
| Storehouse | 7,700 | 188 | +2 |
| Sun Alliance | 1,800 | 316 | +4 |
| T&N | 706 | 146 | +1 |
| TI Group | 1,200 | 308 | +1 |
| TSB | 695 | 140 | -2 |
| Tarmac | 5,500 | 84 | -2 |
| Tate & Lyle | 2,600 | 382 | +4 |
| Taylor Woodrow | 982 | 69 | +4 |
| Tesco | 2,500 | 239 | -2 |
| Thames Water | 1,800 | 487 | +4 |
| Thorn EMI | 1,700 | 819 | +6 |
| Tomkins | 1,100 | 260 | +1 |
| Trafalgar House | 307 | 87½ | |
| Unigate | 900 | 280 | |
| Unilever | 1,300 | 1109 | +15 |
| United Biscuits | 1,500 | 325 | |
| Utd Newspapers | 156 | 453 | +1 |
| Vodafone | 2,100 | 372 | -2 |
| Warburg (SG) | 142 | 521 | -1 |
| Wellcome | 2,300 | 1000 | -9 |
| Welsh Water | 382 | 485 | +2 |
| Wessex Water | 371 | 546 | +9 |
| Whitbread 'A' | 423 | 446 | -2 |
| Williams Hldgs. | 1,800 | 282 | +6 |
| Willis Corroon | 2,300 | 220 | |
| Wimpey | 76 | 100 | -1 |
| Wolseley | 267 | 427 | |
| Yorkshire Elect. | 559 | 439 | +1 |
| Yorkshire Water | 186 | 489 | +2 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

### Account Dealing Dates

| | | |
|---|---|---|
| *First Dealings: | | |
| Oct 19 | Nov 2 | Nov 16 |
| Option Declarations: | | |
| Oct 29 | Nov 12 | Nov 26 |
| Last Dealings: | | |
| Oct 30 | Nov 13 | Nov 27 |
| Account Day: | | |
| Nov 9 | Nov 23 | Dec 7 |

*New time dealings may take place from 8.30am two business days earlier.

# US active as Steel falls again

ANOTHER session of heavy turnover in British Steel saw the shares continue to weaken as worries over the group's dividend and trading prospects persisted following the announcement on Monday of sharp cuts in production.

Turnover reached more than 45m shares, by far the largest traded share of the day, with one leading US investment bank said to have bought a block of 21.5m shares at 51p and to have placed 13m of these at 52p a share within minutes.

There were suggestions in the market that the bulk of the selling had come from disenchanted US investors, who own about a quarter of the British Steel equity and that this could mark the beginning of the end of their love affair with the UK group.

New York has been the chief buyer of Steel shares in recent months as worried British investors have been bailing out. The implications of any sustained US unloading for the Steel share price would, said one analyst, be "catastrophic – Steel would be sold down to 20p."

However, the US fears were dismissed by others in the market, who pointed out that the 30m shares equivalent sold in New York on Monday after London had closed had indicated strong two-way activity. It was also suggested that yesterday's large trade involved selling from a combination of both US and UK institutions. Steel shares closed 3½ lighter at 52½p.

## Reed strong

Magazine publisher Reed International was a strong market ahead of the announcement of first-half figures tomorrow and also on favourable comments from two securities houses. The shares held up against the market's early weakness and closed 5 firmer on the day at 586p.

Analysts are looking for profits of between £85m and £92m against £85.3m last year and expect the group to announce the exact terms of its planned merger with Dutch group Elsevier.

Meanwhile, BZW has put Reed back on its buy list, citing the group's long-term potential to exploit benefits of scale, boost its strategic position and produce above-average dividend and earnings growth.

Also, Lehman Brothers argues that the group is poised to offer "solid profit recovery in the short term and continued growth in revenues cash flow and earnings over the longer term".

## Drug stocks busy

Internationally traded pharmaceuticals benefited from the strength of the dollar against sterling and also from analysts' recommendations. Glaxo was the principal gainer, with Hoare Govett telling clients that the shares had unjustifiably lagged Wellcome's. Strauss Turnbull was also reinforcing its positive stance and preparing an enthusiastic note on the sector.

Glaxo shares stood out against the falling market in the morning and represented much of the strength in the FT-SE 100 index at the close. The net rise of 19 to 803p represented 3.7 points of the Footsie's 8.2-point rise.

Wellcome eased 9 to 1000p as buyers stayed away ahead of today's figures, but SmithKline Beecham lifted 8 in the 'A's and 11 in the Units.

BAT Industries fell 17 to 875p as another broker decided that the shares were overpriced.

Shell continued to regain some of the ground lost last week, edging up a further 3 to 536p on 3.3m. The recent bout of profit-taking in Lasmo, which is thought to have seen a line of 2m shares on offer and subsequently mostly absorbed by the market, saw the stock ease 4 more to 178p.

HSBC maintained its position as the most active of the leading banks with turnover reaching 12m shares. The stock price ran ahead strongly, closing a net 19 higher at 504p, a penny short of its 1992 high, with big buyers in Hong Kong said to have chased the shares up as the local market continued its recovery.

BZW was said to have been behind the good showing by Lloyds, which moved up 7 to 460p, albeit in rather thin turnover of 1.6m. The UK investment bank was said to have recommended a switch out of NatWest and into Lloyds. NatWest shares fell sharply early in the session, slipping off to 373p, but later rallied strongly to end a net 4 up at 383p in turnover of 3.6m.

Barclays Bank drifted off 3 to 342p with many banking specialists still fretting over the possibility of a dividend cut after the bank has accounted for the ever-growing list of bad debts and property losses.

TSB, still unsettled by the steep profits downgrade carried out by Smith New Court, now thought to be the lowest current year forecast in the market, fell 2 more to 140p.

Life assurance stocks performed well, with the exception of Prudential which could manage only a minor improvement at 282p after Kleinwort Benson told its clients to reduce overweight holdings in the stock. Transatlantic, which encompasses the former Sun Life business, rose 15 to 204p.

Turnover began to pick up in the composite insurers with Guardian Royal exceptionally busy on 5.6m shares traded and finally a shade better at 160p. A buy recommendation on the insurance broking sector, said to have been published by BZW, boosted JIB 14 to 161p and Lloyd Thompson 9 to 223p.

MicroFocus jumped 72 to 2340p in the wake of a buy recommendation published by SG Warburg Securities, the company's stockbroker. Warburg said MicroFocus can continue to achieve 25 per cent-plus annual dollar earnings per share growth, that the shares remain undervalued versus US software companies, the Standard & Poors 500 index, UK growth companies and the FT Industrial and 500 share indices.

Racal Electronics rose 4 to 159p after the group announced its Racal Survey division had won a contract worth a potential £1m year from Shell UK.

Graseby, formerly Cambridge Electronic Industries, dropped 11 to 146p following hints that the company's stockbroker, Cazenove, had downgraded its estimates.

Recent hints that the Government may well sell its remaining 21.8 per cent holding in BT as soon as it is permitted (after the the payment of the third installment of the second tranche of BT shares due in March 1993) brought pressure to bear on BT shares. Both the "old" and "new" stock slipped 1½ to 369½p and 264½p.

Downgrades were reported in Glynwed, with Albert E Sharpe, the Birmingham stockbroker, believed to have reduced its profits estimates. The shares lost 7 to 206p. IMI was also said to have suffered at the hands of James Capel, the shares retreating 4 to 230p.

Boots were the biggest casualty in the stores sector, the shares retreating 11 to 471p, on vague rumours of a pre-Christmas price war in the toiletries market. US buyers were said to be preferring Grand Metropolitan, a penny firmer at 399p, ahead of Pepsico.

Cadbury-Schweppes moved forward smartly as Nomura decided that its recent underperformance made it look attractive on a 3-month view. The shares rose 5 to 460p. US buyers were said to be behind Kwik Save's advance of 14½ to 734½p. UBS Phillips and Drew renewed its buy stance on Northern Foods, the shares rising 6 to 263p.

Publishing conglomerate Pearson slipped 5 to 373p. The group's provincial newspaper arm Westminster Press is hosting a large meeting with analysts tomorrow.

**MARKET REPORTERS:**
**Christopher Price**
**Steve Thompson**
**Peter John**

■ Other market statistics, Page 24

### FT-A All-Share Index

### Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover

## NEW HIGHS AND LOWS FOR 1992

[illegible] Ifred, N'wide Anglia 3⅞pc IL '21, Do 4⅛pc IL '24, Utd. Mex. States 16½pc '08, AMERICANS (16) Allegheny & Westn., Bell Atlantic, Bellsouth, Cont'l. Bank, Dun & Bradstreet, Echlin, FPL, Gillette, Houston Inds., Ingersoll-Rand, Pennzoil, Quaker Oats, Rep NY, Texaco, Varity, Woolworth. CANADIANS (5) Bk. Montreal, Bk. Nova Scotia, Imperial Oil, Intl. Corona, Trans. Can. Pipe, BANKS (2) Deutsche, HSBC, BUSINESS SERVS (1) Salvesen, CHEMS (4) BASF, Bayer, Engelhard, Hoechst, CONGLOMERATES (2) Jardine, Sime Derby, ELECTRICALS (2) Motorola, Sony, ELECTRONICS (1) Racal, FOOD MANUF (5) BSN, Nestle (Br), Nestle (Regd), Unilever, Do N/V, FOOD RETAILING (3) Kwik Save, Morrison (Wm), Do 5¼pc Pf., HEALTH & HSEHOLD (1) Astra, HOTELS & LEIS (2) Manchester Utd., Mandarin Oriental, INSCE COMPOSITE (1) Gen. Accident, INSCE LIFE (4) Prudential, Torchmark, Transatlantic, Utd Friendly B, INV TRUSTS (21) Abtrust New Thai, Alliance Tst., Amer. Tst., Anglo & O'seas Tst., First Philippine, Flmg. Amer., Do Cv. '99, Brit. Assets 6pc Cv. '98, Flmg. Far Eastern, Flmg. O'seas., Foreign & Col., French Prop., Gartmore Emrg. Pac., Gen. Cons. Stppd. Pf., I & S Optimum Inc. Zero Pf., JF Pacific Wrt., Jupiter Euro. Zero Pf., Kleinwort High Inc. Zero Pf., Kleinwort O'seas, M & G Inc. Zero Pf., New Zealand Inv., Paribas French, RIT Capital, Do 2½pc Cv '00, River & Merc. Stppd. Pf., Scot. Asian., Scot. East Asian Wts., Scot. Mortgage, Scot. Natl. Stppd. Pf., TR Far East Inc., TR Tech., MEDIA (2) Flextech, News Corp., OIL & GAS (6) Calor, Chevron, Ex. Co. Louisiana, Mobil, Ranco, Total, OTHER FINCL (4) Caledonia Inns., Cattle's, Provident Fincl., Templeton Galbraith, OTHER INDLS (1) Optometrics, PROP (1) Slough 8pc Cv '03, TRANSPORT (4) CSX, Forth Ports, LOF's, P & O 5½pc Prfd., PLANTATIONS (1) Golden Hope.

NEW LOWS (34).

BUSINESS SERVS (2) Brooks Serv., Scott Pickford, CONTG & CONSTRCN (2) Malville, Shorco, ENG GEN (3) Ferrum, Simon, Torday & Carlisle, HOTELS & LEIS (1) Hi-Tec, INSCE COMPOSITE (1) Baltica, INV TRUSTS (6) Aberforth Smlr. Co's., Beta Global Emrg. Mkts. Wts., Exmoor Dual Zero Pf., Gen. Oriental, German Wrts., Japanese Fd. Wts., MEDIA (4) Aegis 9¾pc Pf., Allied Radio, Chiltern Radio, Goodhead, MTL & MTL FORMING (1) Cook (Wm), MISC (1) Levercrest, OIL & GAS (3) Aminex, Intl. Petroleum, North Sea Assets, OTHER FINCL (1) Baltic 7pc Cv Pf., OTHER INDLS (1) Elkem, PROP (2) Power Corp., Shaftesbury, STORES (1) Beattie (J), TEXTS (3) Parkland, Tomkinsons, Wensum, TRANSPORT (1) Tibbett & Britten, MINES (1) Waverley.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2669.8 +8.2 | 2515.6 +6.0 | 1260.51 +3.61 |

| | Oct 27 | Oct 26 | Oct 23 | Oct 22 | Oct 21 | Year ago | 1992 High | 1992 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2669.8 | 2661.6 | 2669.7 | 2658.1 | 2645.7 | 2577.1 | 2737.8 | 2281.0 | 2737.8 11/5/92 | 986.9 23/7/84 |
| FT-SE Mid 250 | 2515.6 | 2509.6 | 2505.9 | 2494.6 | 2464.2 | 2539.9 | 2825.0 | 2157.8 | 2825.0 20/5/92 | 1379.4 21/1/86 |
| FT-SE-A 350 | 1285.3 | 1281.5 | 1284.3 | 1278.7 | 1270.8 | 1252.6 | 1342.7 | 1103.1 | 1342.7 11/5/92 | 664.5 14/1/86 |

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2672.6 | 2652.4 | 2645.9 | 2652.0 | 2665.9 | 2668.5 | 2672.4 | 2673.4 | 2670.0 | 2678.0 | 2640.9 |
| FT-SE Mid 250 | 2515.0 | 2509.2 | 2505.8 | 2508.1 | 2511.8 | 2514.0 | 2515.3 | 2516.6 | 2515.6 | 2517.2 | 2505.3 |
| FT-SE-A 350 | 1286.3 | 1277.9 | 1275.1 | 1277.7 | 1283.4 | 1284.6 | 1286.3 | 1286.8 | 1285.4 | 1288.6 | 1273.2 |

Gross dividend yield (ACT at 25%) FT-SE 100: 4.51%

## FT-Actuaries All-Share

| EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section | Tuesday October 27 1992 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1992 to date | Mon Oct 26 Index No. | Fri Oct 23 Index No. | Thu Oct 22 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (175) | 765.82 | -0.3 | 7.41 | 5.71 | 17.60 | 28.80 | 768.45 | 775.09 | 769.02 | 813.89 |
| 2 Building Materials (23) | 735.94 | -1.6 | 7.11 | 7.43 | 19.90 | 35.72 | 747.86 | 749.84 | 732.89 | 990.96 |
| 3 Contracting, Construction (26) | 631.88 | +0.8 | 3.19 | 7.88 | 249.78 | 36.21 | 627.11 | 626.16 | 619.74 | 1061.93 |
| 4 Electricals (9) | 2101.20 | ....... | 7.92 | 7.16 | 16.69 | 108.10 | 2102.27 | 2082.57 | 2052.57 | 2485.95 |
| 5 Electronics (27) | 2063.40 | +0.2 | 7.90 | 4.13 | 15.92 | 47.93 | 2058.55 | 2051.99 | 2035.01 | 1707.45 |
| 6 Engineering-Aerospace (6) | 284.59 | +0.8 | 12.44 | 8.25 | 10.23 | 13.70 | 282.29 | 285.66 | 284.10 | 353.00 |
| 7 Engineering-General (43) | 447.08 | +0.1 | 9.00 | 5.26 | 14.18 | 15.75 | 446.74 | 453.74 | 451.53 | 487.97 |
| 8 Metals and Metal Forming (7) | 280.60 | -3.5 | 6.19 | 7.80 | 23.48 | 7.52 | 290.73 | 307.13 | 309.12 | 434.31 |
| 9 Motors (15) | 316.49 | ....... | 6.16 | 7.43 | 24.20 | 17.59 | 316.42 | 321.29 | 319.21 | 341.71 |
| 10 Other Industrials (19) | 1800.23 | -0.3 | 6.93 | 4.62 | 17.43 | 60.38 | 1804.86 | 1823.21 | 1816.48 | 1581.22 |
| 21 CONSUMER GROUP (191) | 1660.21 | +0.4 | 6.95 | 3.48 | 17.83 | 35.20 | 1652.89 | 1652.37 | 1641.07 | 1561.53 |
| 22 Brewers and Distillers (25) | 1979.49 | -0.1 | 8.39 | 3.73 | 14.36 | 41.53 | 1980.70 | 1991.01 | 1967.79 | 1929.35 |
| 25 Food Manufacturing (19) | 1269.26 | +0.8 | 8.41 | 4.17 | 14.77 | 31.83 | 1258.86 | 1253.75 | 1245.47 | 1199.23 |
| 26 Food Retailing (18) | 2911.73 | +0.4 | 8.57 | 3.17 | 15.14 | 54.15 | 2901.39 | 2912.89 | 2903.99 | 2343.03 |
| 27 Health and Household (26) | 4313.11 | +1.4 | 5.11 | 2.58 | 22.70 | 72.10 | 4252.04 | 4213.07 | 4212.84 | 3961.29 |
| 29 Hotels and Leisure (18) | 1121.05 | ....... | 7.01 | 6.08 | 18.77 | 46.03 | 1121.22 | 1126.23 | 1103.56 | 1337.49 |
| 30 Media (26) | 1649.41 | +0.3 | 6.01 | 3.19 | 20.75 | 35.18 | 1644.52 | 1656.18 | 1640.44 | 1497.58 |
| 31 Packaging, Paper & Printing (17) | 744.23 | -0.9 | 6.82 | 4.36 | 18.26 | 22.68 | 750.69 | 754.18 | 752.06 | 759.07 |
| 34 Stores (33) | 1066.33 | -0.5 | 6.76 | 3.41 | 19.62 | 19.93 | 1071.56 | 1073.91 | 1062.14 | 1007.96 |
| 35 Textiles (9) | 704.24 | +1.3 | 6.74 | 4.36 | 18.68 | 16.65 | 695.45 | 690.11 | 690.56 | 645.16 |
| 40 OTHER GROUPS (116) | 1323.11 | -0.1 | 9.44 | 5.12 | 13.25 | 40.80 | 1324.09 | 1330.70 | 1327.41 | 1255.82 |
| 41 Business Services (18) | 1408.37 | +0.5 | 6.28 | 3.62 | 19.50 | 30.60 | 1400.77 | 1406.42 | 1406.92 | 1407.60 |
| 42 Chemicals (22) | 1359.65 | +0.4 | 7.21 | 5.34 | 17.21 | 48.48 | 1354.46 | 1341.60 | 1355.77 | 1427.53 |
| 43 Conglomerates (10) | 1359.46 | +0.2 | 8.48 | 8.09 | 15.10 | 40.93 | 1356.86 | 1370.02 | 1360.77 | 1471.05 |
| 44 Transport (13) | 2531.45 | -0.3 | 8.08 | 4.67 | 15.06 | 76.54 | 2538.78 | 2547.34 | 2577.45 | 2328.92 |
| 45 Electricity (16) | 1385.30 | +0.4 | 14.99 | 5.29 | 8.60 | 55.01 | 1379.24 | 1381.10 | 1369.32 | 1204.53 |
| 46 Telephone Networks(4) | 1514.64 | -0.3 | 9.98 | 4.36 | 13.07 | 46.15 | 1518.62 | 1535.45 | 1537.21 | 1550.07 |
| 47 Water(11) | 3029.28 | +0.7 | 14.76 | 5.71 | 7.50 | 86.85 | 3009.31 | 3020.35 | 3011.57 | 2339.90 |
| 48 Miscellaneous (22) | 2260.94 | -1.3 | 5.82 | 4.46 | 21.56 | 55.75 | 2290.36 | 2310.33 | 2261.46 | 1793.94 |
| 49 INDUSTRIAL GROUP (482) | 1327.77 | +0.1 | 7.84 | 4.39 | 15.99 | 35.99 | 1325.90 | 1329.79 | 1322.39 | 1279.44 |
| 51 Oil & Gas (18) | 2134.82 | +0.1 | 6.31 | 6.07 | 20.78 | 97.68 | 2132.13 | 2126.14 | 2118.34 | 2413.82 |
| 59 500 SHARE INDEX (500) | 1402.35 | +0.1 | 7.68 | 4.57 | 16.38 | 40.79 | 1400.40 | 1403.66 | 1396.12 | 1376.74 |
| 61 FINANCIAL GROUP (83) | 815.93 | +1.1 | - | 5.38 | - | 31.00 | 806.82 | 807.27 | 806.90 | 773.51 |
| 62 Banks (9) | 1118.35 | +1.5 | 4.63 | 4.98 | 32.41 | 40.52 | 1102.26 | 1101.49 | 1101.18 | 910.72 |
| 65 Insurance (Life) (6) | 1633.32 | +0.8 | - | 5.56 | - | 68.18 | 1619.65 | 1623.47 | 1623.02 | 1435.27 |
| 66 Insurance (Composite) (7) | 580.32 | +0.6 | - | 5.19 | - | 22.58 | 576.85 | 584.46 | 581.18 | 567.98 |
| 67 Insurance (Brokers) (10) | 784.25 | +2.1 | 9.13 | 7.17 | 14.39 | 42.23 | 768.10 | 762.00 | 734.00 | 1109.95 |
| 68 Merchant Banks (7) | 476.77 | -0.1 | - | 4.70 | - | 13.71 | 477.08 | 481.13 | 483.16 | 479.73 |
| 69 Property (30) | 592.79 | +0.5 | 9.40 | 7.10 | 13.98 | 23.61 | 589.70 | 583.92 | 594.83 | 894.55 |
| 70 Other Financial (14) | 256.39 | +1.0 | 7.77 | 6.51 | 16.89 | 9.35 | 253.75 | 251.02 | 250.18 | 256.73 |
| 71 Investment Trusts (70) | 1215.22 | +0.7 | - | 3.69 | - | 27.54 | 1206.37 | 1201.73 | 1204.07 | 1232.06 |
| 99 ALL-SHARE INDEX (653) | 1260.51 | +0.3 | - | 4.66 | - | 37.90 | 1256.90 | 1259.33 | 1253.63 | 1232.39 |

## FT-SE Actuaries 350 Industry Baskets

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrcn | 1254.6 | 1254.1 | 1254.1 | 1260.9 | 1261.0 | 1262.1 | 1262.1 | 1263.3 | 1263.3 | 1263.3 | 1254.0 | +9.3 |
| Health&H | 1298.8 | 1291.3 | 1288.1 | 1296.6 | 1301.3 | 1302.1 | 1304.7 | 1305.1 | 1305.3 | 1306.1 | 1287.2 | +18.9 |
| Water | 1248.2 | 1246.1 | 1242.6 | 1243.1 | 1244.9 | 1245.1 | 1251.2 | 1251.4 | 1251.1 | 1251.9 | 1244.0 | +7.9 |
| Banks | 1355.0 | 1345.2 | 1340.3 | 1343.3 | 1350.2 | 1355.6 | 1356.4 | 1361.8 | 1359.4 | 1358.4 | 1338.5 | +19.9 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. © The Financial Times Limited 1992. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

## FINANCIAL TIMES EQUITY INDICES

| | Oct 27 | Oct 26 | Oct 23 | Oct 22 | Oct 21 | Year ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 1978.5 | 1976.2 | 1981.7 | 1969.8 | 1951.3 | 1978.7 | 2149.7 | 1670.0 |
| Ord. div. yield | 4.59 | 4.60 | 4.59 | 4.61 | 4.63 | 4.86 | 5.34 | 4.24 |
| Earning yld % full | 6.56 | 6.58 | 6.57 | 6.59 | 6.62 | 7.52 | - | - |
| P/E ratio net | 19.38 | 19.32 | 19.29 | 19.29 | 19.19 | 16.68 | 20.84 | 15.79 |
| P/E ratio nil | 18.00 | 17.96 | 17.93 | 17.93 | 17.84 | 15.32 | - | - |
| Gold Mines | 74.7 | 77.6 | 74.8 | 74.8 | 74.4 | 185.5 | 180.6 | 65.0 |

*for 1992 Ordinary share Index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 1983.4 | 1968.4 | 1963.6 | 1968.1 | 1977.9 | 1980.0 | 1982.6 | 1981.7 | 1978.6 | 1985.6 | 1960.1 |

| Volume | Oct 27 | Oct 26 | Oct 23 | Oct 22 | Oct 21 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 23,493 | 24,437 | 28,311 | 29,944 | 32,243 | 25,339 |
| Equity Turnover(£m)† | - | 773.1 | 1368.8 | 1295.7 | 1543.1 | 960.3 |
| Equity Bargains† | - | 27,401 | 33,206 | 34,315 | 36,344 | 23,743 |
| Shares traded (ml)† | - | 408.0 | 585.2 | 627.3 | 691.9 | 448.0 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

## LONDON SHARE SERVICE

### BRITISH FUNDS

[illegible]

### BRITISH FUNDS - Cont.

[illegible]

### OTHER FIXED INTEREST

[illegible]

## EQUITY FUTURES AND OPTIONS TRADING

ONE large deal provided a boost to an otherwise tranquil options market yesterday, writes Peter John. While most dealers were rolling over positions ahead of expiry of the October series, one marketmaker crossed the equivalent of more than 19m BP shares.

The trade was so big that the SEAQ electronic trading system was unable to report it in the normal way and had to carry a special announcement. It represented a cross of 19,250 October 160 calls. Each call cost the equivalent of 76p a share and provided the buyer with the right to purchase underlying stock today at 160p a share – a total price of 236p. The business was carried out by independent trading house Monument Derivatives and was said to represent intra-market business rather than a fundamental change of view.

Elsewhere, the most heavily traded stock options will all see their October series expire today. The exception was bank HSBC which has seen sharp rises in the cash market as a result of currency shifts. It was the fourth most active stock option. Total option volume was 48,170 lots.

Meanwhile, the FT-SE 100 index contract for December opened weak and slipped back quickly on the back of a weaker pound. Then, a rumour developed that a 2 per cent cut in UK interest raters was imminent. December picked up sharply to close at 2,710, 40 points above cash and at a 20-point premium to fair value.

# LONDON SHARE SERVICE

## AMERICANS

| Notes | Price £ | + or - | 1992 high | low | Mkt Cap £m | Yld Gr's |
|---|---|---|---|---|---|---|
| Abbott Labs.....h | 16½xd | +⅛ | 19⅓ | 14⅝ | 15,684 | 2.0 |
| ♥Allegheny & W. | 441p | +8 | 441p | 226p | 229.2 | 4.3 |
| Amdahl | 502p | -2 | 1159p | 455p | 583.8 | 1.3 |
| Amer Cyanamid | 34⅛ | +⅝ | 37 | 28⅝ | 3,101 | 3.0 |
| Amer Express | 13⅛xd | +⅛ | 13⅞ | 10⅞ | 6,257 | 4.8 |
| Amer T & T | 28⅛xd | +1⅛ | 28⅛ | 20⅛ | 37,486 | 3.0 |
| Ameritech | 42 | +⅞ | 42⅛ | 32½ | 16,389 | 5.3 |
| BankAmerica | 28⅛xd | +⅛ | 27⅛ | 19⅛ | 9,281 | 3.1 |
| Bankers NY | 41½xd | +1⅛ | 41½ | 28⅝ | 3,338 | 4.3 |
| Bell Atlantic | 29⅞ | +⅞ | 29⅞ | 23⅛ | 12,897 | 5.5 |
| BellSouth | 33 | +⅛ | 33 | 25 | 16,139 | 5.3 |
| ♥Bethlehem Steel | 8⅛xd | +⅛ | 9⅝ | 5⅜ | 746.3 | – |
| Bowater | 1275pxd | +35 | 1579p | 505p | 408.9 | 5.9 |
| CPC.....h | 30⅛xd | +⅛ | 38⅛ | 22⅛ | 4,887 | 2.5 |
| ♥Cadiz Land Inc. | 188p | – | 342p | 103p | – | – |
| California Engy | 619p | – | 833p | 591p | 149.1 | – |
| Chase Manhattan | 15⅛xd | +⅞ | 16½ | 9½ | 2,277 | 5.0 |
| Chrysler | 17⅛xd | +1 | 17⅜ | 6⅛ | 4,007 | 2.2 |
| Citicorp | 10⅝xd | +⅞ | 11⅛ | 5⅜ | 3,884 | – |
| Colgate-Palm | 37⅛xd | +1⅛ | 37⅛ | 25⅛ | 8,018 | 2.1 |
| Cont'l Bank | 1108p | +68 | 1108p | 439p | 1,119 | 3.4 |
| Dana | 28⅛xd | +⅝ | 26⅛ | 14⅛ | 1,209 | 3.8 |
| Data General | 821p | +73 | 1004p | 384p | 226.6 | – |
| ♥Deccra Inds | 102p | – | 122p | 86p | – | – |
| Dun & Brad | 37 | +⅝ | 37 | 27⅝ | 6,601 | 3.9 |
| Eaton | 48⅛ | – | 48⅛ | 32½ | 1,886 | 2.9 |
| Echlin | 12½xd | +½ | 12½ | 7⅜ | 718.9 | 3.5 |
| FPL | 22⅛xd | +⅛ | 22⅛ | 17⅛ | 4,128 | 6.7 |
| Fluor | 28⅛xd | +½ | 29⅛ | 19⅛ | 2,316 | 0.9 |
| Ford Motor | 25⅝xd | +⅞ | 26⅜ | 15 | 12,493 | 2.5 |
| Gen Elect | 48⅞xd | +1⅝ | 48⅞ | 36⅛ | 41,784 | 3.0 |
| ♥General Host | 675p | – | 593p | 360p | – | 3.9 |
| Gillette | 37⅛xd | +1⅛ | 37⅛ | 23⅛ | 6,240 | 1.2 |
| Hasbro | 21⅜ | +⅛ | 21½ | 12⅜ | 1,856 | 0.6 |
| Honeywell | 40⅛ | +1⅛ | 43 | 32 | 2,886 | 2.6 |
| Houston Inds | 27⅞ | +½ | 27⅞ | 22 | 3,618 | 6.8 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## CONTRACTING & CONSTRUCTION - Cont.

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING - AEROSPACE

## ENGINEERING - GENERAL

## ENGINEERING - GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

Authorised by the Inland Revenue

## INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

## INVESTMENT COMPANIES

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

## MEDIA

## MEDIA - Cont.

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## TRANSPORT

## WATER

## STORES

## STORES - Cont.

## TELEPHONE NETWORKS

## TEXTILES

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

*Market capitalisation shown is calculated separately for each line of stock quoted.*

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock."
* *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
† *Interim since increased or resumed*
‡ *Interim since reduced, passed or deferred*
‡‡ *Tax-free to non-residents on application*
◆ *Figures or report awaited*
♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
♣ Free annual/interim report available, see details below.
✤ *USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.*
‡‡ *Not officially UK listed; dealings permitted under Rule 535(2)*
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h *Assumed dividend yield after scrip issue.*
n *Rights issue pending*
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u *Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.*
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
*R Forecast annualised yield, p/e based on prospectus or other official estimates.*
T *Figures assumed.*
W Pro forma figures.
Z *Dividend yield to date.*

*Abbreviations:*
*xd ex dividend;*
*xc ex scrip issue;*
*xr ex rights;*
*xa ex all;*
*xE ex capital distribution.*

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## AUTHORISED UNIT TRUSTS

**AIB Unit Trust Managers Limited (1000)F**
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| AIB Grofund American | 5 | 140.4 | 142.0 | 149.4 | +2.50 | 0.00 |
| AIB Grofund Equity | 5 | 184.8 | 187.4 | 198.3 | -1.30 | 1.76 |
| AIB Grofund Euro | 5 | 140.8 | 142.9 | 150.5 | +1.20 | 0.39 |
| AIB Grofund Gilt | 3 | 74.17 | 74.19 | 76.49 | -0.19 | 5.60 |
| AIB Grofund Japan | 5 | 121.9 | 123.3 | 129.8 | +1.70 | 0.00 |

**AXA Equity & Law Unit Tst Mngrs (1200)H**
Equity & Law Hse, Corporation St, Coventry 0203 553231

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| General Inc | 5 | 372.0 | 374.0xd | 397.9 | +0.7 | 3.29 |
| General Acc | 5 | 405.1 | 407.3xd | 433.4 | +0.8 | 3.29 |
| UK Growth Acc | 6 | 272.7 | 277.0xd | 294.7 | +0.2 | 3.73 |
| UK Growth Inc | 6 | 195.6 | 198.7xd | 211.4 | +0.2 | 3.73 |
| Higher Inc Acc | 6 | 463.1 | 471.1xd | 501.2 | +0.2 | 5.27 |
| Higher Inc Inc | 6 | 285.5 | 290.3xd | 308.9 | | 5.27 |
| Gilts/Fxd Int Acc | 5½ | 165.9 | 165.9xd | 175.4 | -0.2 | 7.11 |
| Gilts/Fxd Int Inc | 5½ | 89.37 | 89.37xd | 94.50 | -0.12 | 7.11 |
| Nth America | 6 | 220.8 | 225.9xd | 240.4 | +3.9 | 0.00 |
| Far East | 6 | 228.8 | 228.8xd | 243.4 | +4.7 | 0.46 |
| Europe | 6 | 197.8 | 197.8xd | 210.5 | +3.1 | 0.88 |
| Brit Excell | 6 | 55.93 | 55.93 | 59.50 | +0.01 | 3.82 |
| Brit Fedmuts Acc | 6 | 70.81 | 70.81xd | 75.33 | -0.07 | 6.10 |
| Brit Fedmuts Inc | 6 | 55.58 | 55.58xd | 59.13 | -0.05 | 6.10 |
| Global Opps | 6 | 58.03 | 58.89 | 62.65 | +0.69 | 0.01 |

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **High Income** | | | | | | |
| Gilts & Fixed Int | 6 | 126.7 | 126.7xd | 134.4 | -0.2 | 7.70 |
| High Inc Equity | 6 | 122.2 | 125.1xd | 133.0 | -0.7 | 6.39 |
| Worldwide Bond | 6 | 256.5 | 256.5 | 270.8 | +2.8 | 5.25 |
| **Capital Growth** | | | | | | |
| American Growth | 6 | 244.5 | 244.5 | 261.4 | +3.8 | .68 |
| Asian Pacific | 6 | 179.5 | 183.7 | 195.4 | +4.3 | .98 |
| Assets & Earnings | 6 | 187.4 | 191.5 | 203.7 | -1.0 | 3.28 |
| Capital Reserve Acc | 0 | 123.0 | 123.0 | 123.3 | +0.2 | 7.28 |
| Capital Reserve Inc | 0 | 90.95 | 90.95 | 91.17 | +0.11 | 7.28 |
| Commdty & Energy | 6 | 65.35 | 65.35 | 69.89 | -0.27 | .90 |
| 1992 Enterprise | 6 | 68.88 | 68.88 | 73.66 | -0.14 | 2.72 |
| Euro Capital Acc | 6 | 98.50 | 98.50 | 105.3 | +1.1 | .99 |
| Euro Capital Inc | 6 | 93.33 | 93.33 | 99.81 | +1.00 | 1.00 |
| General | 6 | 168.5 | 168.5 | 180.2 | -1.1 | 3.22 |

**Britannia Life Unit Managers Ltd (1200)F**
190 West George St, Glasgow G2 2PA 041-332 3132

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Balanced Growth | 6 | 79.60 | 80.63xd | 86.23 | +0.20 | 2.40 |
| Do (Accum) | 6 | 86.91 | 88.03 | 94.15 | +0.22 | 2.40 |
| Smaller Cos | 6 | 59.47 | 59.47 | 63.60 | -0.10 | 2.61 |
| Do (Accum) | 6 | 63.51 | 63.51 | 67.92 | -0.11 | 2.61 |
| Higher Yield | 6 | 31.46 | 31.46xd | 33.65 | -0.08 | 5.57 |
| Do (Accum) | 6 | 42.53 | 42.53 | 45.48 | -0.06 | 5.57 |
| American Gth Inc | 6 | 44.44 | 44.44 | 47.53 | +1.29 | 0.16 |
| Do (Accum) | 6 | 45.28 | 45.28 | 48.43 | +1.31 | 0.16 |
| European Growth | 6 | 86.92 | 86.92xd | 92.96 | +1.16 | 2.09 |
| Do (Accum) | 6 | 87.73 | 87.73 | 93.83 | +1.18 | 2.09 |
| Global Bond Inc | 6 | 27.84 | 27.87 | 29.59 | +0.16 | 5.11 |
| Do (Accum) | 6 | 33.35 | 33.40 | 35.45 | +0.19 | 5.11 |
| Managed P'folio Inc | 6 | 27.95 | 28.03xd | 29.97 | +0.22 | 0.00 |
| (Do Accum) | 6 | 28.03 | 28.10 | 30.06 | +0.24 | 0.00 |
| Pacific Growth Accum | 6 | 76.55 | 77.26 | 82.63 | +0.87 | 1.03 |
| Intl Spec Opps Accum | 6 | 64.35 | 65.24 | 69.78 | +0.53 | 1.83 |

**Brown Shipley & Co Ltd (1000)F**
9-17 Perrymount Rd Haywards Hth 0444 412262

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Mngd P'folio Inc | 6 | 74.22 | 74.22 | 79.04 | +0.33 | 2.66 |
| Mngd P'folio Acc | 6 | 139.0 | 139.0 | 148.0 | +0.70 | - |
| UK General | 6 | 120.5 | 120.5xd | 128.3 | +0.30 | 3.97 |
| Conv & General | 6 | 15.25 | 15.25xd | 16.24 | -0.03 | 9.92 |
| European Inc | 6 | 20.69 | 20.69xd | 22.34 | +0.16 | 0.92 |
| European Acc | 6 | 21.25 | 21.25 | 22.99 | +0.17 | - |
| Financial | 6 | 91.00 | 91.00 | 96.92 | +0.49 | 4.62 |
| Foundation | 6 | 58.81 | 60.49xd | 64.42 | +0.16 | 4.38 |
| German | 6 | 38.81 | 38.81 | 41.58 | +0.73 | 0.10 |
| Growth Inc (5-1) | 5 | 25.44 | 25.44 | 27.13 | -0.07 | 3.40 |
| Growth Acc (5-1) | 5 | 29.37 | 29.37 | 31.31 | -0.09 | - |
| High Income | 6 | 58.69 | 59.10xd | 63.71 | -0.21 | 7.38 |
| Income | 6 | 97.69 | 99.16xd | 106.6 | +0.10 | 5.47 |
| Intl Income | 6 | 80.79 | 80.79 | 86.04 | +0.31 | 5.66 |
| Intl Growth ♣ | 6 | 28.40 | 28.40xd | 30.25 | +0.44 | 0.27 |
| Monthly Income | 6 | 56.08 | 56.08 | 59.72 | -0.11 | 5.65 |
| North American | 6 | 85.85 | 85.85 | 91.43 | +1.38 | 0.25 |
| Orient ♣ | 6 | 87.55 | 87.55 | 94.17 | +1.28 | - |
| Recovery | 6 | 25.39 | 25.52 | 27.31 | +0.22 | 4.27 |
| Smaller Cos Acc | 6 | 183.4 | 183.4 | 195.3 | -2.40 | - |
| Smaller Cos Inc | 6 | 109.0 | 109.0xd | 116.1 | -1.40 | 1.96 |

**Brycourt Unit Tst Mgmt Ltd (1400)F**
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income Growth | 1 | 176.0 | 176.0xd | 181.0 | +4.7 | 6.41 |

**Buckmaster Mangmt Co Ltd (1200)H**
15 St Botolph Street, London EC3A 7JJ 071-247 4542

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Fellowship Tst ♥ | 5¼ | 49.71 | 49.71xd | 52.69 | +0.30 | 2.53 |
| (Accum Units) ♥ | 5¼ | 55.42 | 55.42 | 58.75 | +0.34 | 2.53 |
| Income | 5¼ | 173.1 | 175.2xd | 186.4 | -0.9 | 4.99 |
| (Accum Units) | 5¼ | 393.4 | 398.3 | 423.8 | -1.9 | 4.99 |
| Smaller Co's | 5¼ | 91.38 | 91.38 | 96.86 | +0.02 | 2.98 |
| (Accum Units) | 5¼ | 107.6 | 107.6 | 114.1 | +0.1 | 2.98 |

**MGM Unit Managers Ltd (1000)F**
MGM House, Heene Rd, Worthing
Dealing: 0277 261010. Enq: 0903 204631

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| High Income | 5 | 221.3 | 224.8xd | 239.1 | -1.5 | 5.88 |
| (Accum Units) | 5 | 377.1 | 383.0 | 407.4 | -2.6 | 5.88 |
| UK Growth | 5 | 286.9 | 289.3xd | 307.7 | -1.5 | 3.42 |
| (Accum Units) | 5 | 357.2 | 360.2 | 383.1 | -1.9 | 3.42 |
| Int Equity Gth ♣ | 5 | 52.91 | 53.04 | 56.42 | +0.89 | 1.12 |
| Intl Bond | 5 | 64.06 | 64.06 | 67.28 | +0.47 | 6.29 |
| Special Sits Gwth | 5 | 14.35 | 14.78xd | 15.72 | -0.06 | 3.64 |
| North American Gwth | 5 | 81.06 | 81.37xd | 86.56 | +1.52 | 0.96 |
| European Growth ♣ | 6 | 54.47 | 54.84xd | 58.33 | +0.7 | 1.15 |

### Guide to pricing of Authorised Unit Trusts

*Compiled with the assistance of Lautro §§*

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

**Sharp (Albert E.) & Co (1000)F**
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing: 0277 261010

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Intl Bond & Gen | 5 | 118.60 | 118.90 | 125.20 | +1.60 | 6.13 |
| Pooled Pension ‡ | 3½ | 134.8 | 139.2 | 144.0 | | - |
| Smaller Cos | 5 | 50.69 | 52.55 | 55.52 | +0.09 | 2.71 |
| UK General | 5 | 107.00 | 108.60 | 114.30 | -0.48 | 2.67 |

**Sheppards Unit Trust Mngmt Ltd (1200)F**
1 White Hart Yard, London Bridge SE1 071 407 5966

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income | 5 | 340.93 | 340.93 | 361.38 | -0.22 | 5.70 |
| Global Inc | 5 | 49.09 | 49.09 | 52.04 | +0.04 | 4.67 |
| Brit Leaders | 5 | 292.12 | 292.12 | 309.65 | +0.16 | 3.30 |
| Intl Leaders | 5 | 161.42 | 161.42 | 171.10 | +1.40 | 1.92 |
| P As Man Bal Gwth Acc ¶ | 3½ | 46.86 | 47.56xd | 49.41 | +0.06 | 4.33 |
| P As Man Bal Gwth Inc ¶ | 3½ | 46.86 | 47.56xd | 49.41 | +0.06 | 4.33 |

**Singer & Friedlander UT Mgmt Ltd (1000)F**
PO Box 224, Beckenham. BR3 4TF 081-663 3003

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Trust | 6 | 45.87 | 45.97xd | 48.90 | +0.49 | 1.83 |
| Far Eastern Tst | 6 | 51.68 | 52.01 | 55.32 | +0.42 | 0.89 |
| Smaller Cos | 5 | 107.1 | 111.7 | 118.8 | +0.3 | 3.12 |

**Smith & Williamson Unit Tst Mgrs (1600)F**
1 Riding House St, London W1A 3AS. 071-637 5377

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| S & W American ‡ | 5 | 243.8 | 243.4 | 257.5 | +6.7 | 0.99 |
| S & W Capital | 5 | 104.1 | 104.1 | 111.5 | +0.3 | 2.15 |
| S & W Cash ‡ | 0 | 100.80 | 100.80xd | 100.80 | +0.06 | 9.00 |
| S & W European | 5 | 102.4 | 102.6 | 108.9 | +1.6 | 1.45 |
| S & W Far Eastern | 5 | 104.3 | 105.0xd | 111.1 | +0.50 | 0.32 |
| S & W Growth | 5 | 112.1 | 113.2xd | 119.8 | -0.1 | 1.79 |

## OTHER UK UNIT TRUSTS

## INSURANCES

Continued on next page

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

## Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

*Managed Fund see Balanced Growth Managed Fund*

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Gwth Mngd | 600.1 | 638.5 | -0.5 | - |
| Adventurous Mngd | 144.1 | 153.3 | +0.6 | - |
| Cautious Mngd. | 115.9 | 123.3 | -0.1 | - |
| Cash Fd | 312.3 | 329.1 | - | - |
| Property Fund | 216.8 | 230.7 | | - |
| Equity Fund | 686.2 | 730.0 | +2.6 | - |
| Fxd Int Fund | 381.7 | 402.3 | +1.1 | - |
| International | 310.4 | 330.3 | +1.1 | - |
| High Income | 519.9 | 553.1 | -3.9 | - |
| Far East | 419.5 | 446.3 | +2.0 | - |
| North American | 386.2 | 410.9 | +4.0 | - |
| Special Sits | 479.6 | 510.3 | -2.2 | - |
| Technology | 378.7 | 402.9 | +3.3 | - |
| Extra Inc Fd | 281.8 | 299.8 | -2.2 | - |
| Convertible & Gilt Fd | 136.1 | 144.8 | -0.6 | - |
| American Income | 162.8 | 173.2 | +1.3 | - |
| Gilt Fund 20 | 434.2 | 462.0 | -1.0 | - |
| European Fund | 112.8 | 120.0 | +0.6 | - |
| Pref & Fixed Int | 100.9 | 107.4 | | - |
| UK Blue Chip | 108.4 | 114.3 | -0.6 | - |
| Recovery Fund | 98.5 | 103.8 | -0.4 | - |
| Equity Income Dist. | 95.5 | 101.6 | -0.3 | 5.23 |
| Managed Dist. | 91.2 | 97.1 | -0.1 | 5.52 |
| High Yield Dist. | 96.7 | 101.9 | -0.1 | 7.86 |
| **Pension Funds** | | | | |
| Balncd Gth Mgd Pens Acc. | 689.1 | 725.4 | -0.4 | - |
| Adventurous Mgd Pens Acc. | 149.6 | 157.5 | +0.8 | - |
| Cautious Mngd Pens Acc | 132.1 | 139.1 | -0.1 | - |
| Building Soc. Acc. | 358.7 | 377.6 | - | - |
| Property Pens. Acc. | 294.3 | 309.8 | | - |
| Fix. Int. Pens Acc | 592.7 | 623.9 | +0.3 | - |
| Equity Pens Acc. | 869.6 | 915.4 | +4.4 | - |
| International Pens Acc. | 284.6 | 299.6 | +1.2 | - |
| High Inc Pens Acc | 579.0 | 609.5 | -4.7 | - |
| Tech Pens Acc | 264.3 | 278.3 | +4.5 | - |
| N American Pens Acc | 288.0 | 303.2 | +3.0 | - |
| Far Eastern Pens Acc. | 413.8 | 435.6 | +2.5 | - |
| Special Sits Pens Acc. | 393.1 | 413.8 | -1.5 | - |
| Extra Income Pens Fd | 343.7 | 361.8 | -2.2 | - |
| Convertible & Gilt Pen | 166.2 | 175.0 | +1.7 | - |
| American Inc Pens. | 183.7 | 193.4 | -0.8 | - |

## Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Deposit Acc Fd | 165.9 | 174.6 | - | - |
| Equity Acc Fd | 372.7 | 392.3 | | - |
| Managed Acc Fd | 327.1 | 344.4 | | - |
| Prop Fd (1st Issue) | - | 570.1 | | - |
| Prop Acc Fd (2nd Iss) | 119.7 | 126.0 | | - |
| Unit Trust Mn. Fd | 142.7 | 150.2 | | - |
| **RL Pension Funds** | | | | |
| Deposit Acc. | 239.9 | 252.5 | | - |
| Equity Acc. | 271.4 | 285.7 | - | - |
| Fixed Int Acc. | 241.8 | 254.5 | - | - |
| Gilt Indx Lnk Acc. | 182.8 | 192.4 | | - |
| Managed Acc. | 354.0 | 372.7 | - | - |

## J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6500

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| JRA/M&G Managed | 105.5 | 111.1 | +0.50 | - |
| JRA/Scot Widows Mngd | 100.6 | 105.9 | -0.10 | - |
| JRA/S James Place Mngd | 108.2 | 113.9 | +1.60 | - |
| Deposit | 98.90 | 104.2 | +0.20 | - |
| Far East | 110.4 | 116.3 | +0.90 | - |
| Gilts | 102.9 | 108.4 | -0.10 | - |
| Greater European | 108.3 | 114.0 | +1.90 | - |
| North American | 115.6 | 121.7 | +3.60 | - |
| UK Equity | 103.8 | 109.3 | -0.30 | - |
| **Pension Funds** | | | | |
| JRA/M&G Managed cap | 102.6 | 108.1 | +0.40 | - |
| JRA/M&G Managed acc | 105.5 | 111.1 | +0.50 | - |
| JRA/Scot Widows Mngd cap | 96.90 | 102.1 | +0.20 | - |
| JRA/Scot Widows Mngd acc | 99.60 | 104.9 | -0.10 | - |
| JRA/S James Pl Mngd cap | 110.2 | 116.0 | +1.60 | - |
| JRA/S James Pl Mngd acc | 113.1 | 119.1 | +1.70 | - |
| Deposit cap | 99.10 | 104.2 | +0.2 | - |
| Deposit acc | 101.8 | 107.2 | +0.20 | - |
| Far East cap | 106.9 | 112.6 | +1.00 | - |
| Far East acc | 109.8 | 115.6 | +1.00 | - |
| Gilts cap | 101.3 | 106.7 | -0.20 | - |

## Scottish Mutual Assurance plc

109 St Vincent St, Glasgow

## Scottish Provident Institution

6 St Andrews Sq, Edinburgh

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## OFFSHORE INSURANCES

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

| | Bid Price | Offer Price | + or − | Yield Grs |
|---|---|---|---|---|
| **Gartmore Fund Managers (IoM)** | | | | |
| Intl. Inc.* | 16.2 | 17.2 | ... | 12.0 |
| * Projected Yield | | | | |
| **John Govett Management (IoM) Ltd** | | | | |
| Dlr Geared Cur NAV Oct 23 | $16.51 | | ... | - |
| Paragon Plus Red Oct 1 | £9.17 | | ... | - |
| Paragon Stlg Red Oct 1 | £10.60 | | ... | - |
| SE Asian Wrt NAV Oct 22 | $10.16 | | ... | - |
| Govett Mgd Fux Oct 23 | £13.88 | 15.18 | ... | - |
| Govett Mgd Fux Oct 23 | $09.94 | 10.88 | ... | - |
| Max Horizons Inv Oct 22 | $13.57 | | ... | - |
| Mx Horizon Inv Wts Oct 22 | $5.23 | | ... | - |
| Dlr Geared Gd Oct 23 | $7.88 | | ... | - |
| **IBI Global Funds Limited** | | | | |
| Intl Stlg Grth | £19.13 | 20.14 | ... | - |
| Intl $US Grth | $17.58 | 18.51 | ... | - |
| High Income Gilt | £25.39 | 26.32 | ... | - |
| International Equity | £19.12 | 20.14 | ... | - |
| International Bond | £22.04 | 22.85 | ... | - |
| Managed Currency | £26.92 | 27.20 | ... | - |
| Sterling Currency | £26.24 | 26.51 | ... | - |
| US$ Currency | $37.66 | 38.05 | ... | - |
| High £ Currency | £14.94 | 15.10 | ... | - |
| **Target International (Isle of Man) Ltd** | | | | |
| IMC Offshore Fd | £8.48 | 9.13 | ... | - |
| B.F Offshore Inc Fd Ltd | £11.55 | 11.66 | ... | - |
| Nelson Mdms WW S/S | £8.77 | 9.14 | ... | - |
| LFM Sterling Fd | £10.92 | 11.38 | ... | - |

## JERSEY (SIB RECOGNISED)

| | Init Chge | Canc. Price | Bid Price | Offer Price | + or − | Yield Grs |
|---|---|---|---|---|---|---|
| **AIB Fund Managers (CI) Ltd** | | | | | | |
| PO Box 468 St Helier Jersey 0534 36633 | | | | | | |
| AIB Currency Funds Ltd | | | | | | |
| Intl Managed Bond | 5 | | IK-28.8004 | 28.8136 | ... | - |
| Managed Capital 94 | 5 | | IK-20.8512 | 20.8739 | ... | - |
| AIB Gtefund Currency Fund Limited | | | | | | |

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# UK's turmoil weakens pound

STERLING fell close to a three-year low against the US dollar yesterday as Britain's growing political uncertainty turned the pound into a "sell" against most of the major currencies, *writes James Blitz.*

Now that Germany appears in the grips of an economic recession, the market is starting to price in a cut in German interest rates and the pound may show less volatility against the D-Mark in the next few months than it has done in the period since Black Wednesday.

Yesterday, the pound fell two pfennigs against the D-Mark to close at DM2.4225. But the biggest moves this week have been against the US dollar, which looks set to rise against all European currencies as German and US interest rates converge. Yesterday the pound dropped to $1.5640 against the dollar, later closing at $1.5790. It was down nearly a cent on the day, and nearly 7 cents so far this week.

Sterling is mainly being weakened by the continuing turmoil in British politics, in particular Mr John Major's threat to call a general election if the government's attempt to ratify the Maastricht treaty is defeated in the House of Commons. Rumours that UK interest rates will be cut by another two percentage points also caused a sharp slump in sterling in Tokyo on Tuesday. The quarterly industrial trends survey from the Confederation of British Industry, predicting a continuation of the UK's recession, was the last straw for investors yesterday.

Economists in the City of London are coming up with grim prognoses for sterling exchange rates. Mr Ian Beauchamp, chief economist at Hambros Bank in London, says that DM2.30 and $1.40 could well be the rates for sterling at the end of this year. There is a strong consensus among technical analysts that the fall through $1.60 on Monday was a key point on the chart, and that the pound could be heading as low as $1.20 in 1993.

Otherwise, investors concentrated yesterday on whether the dollar could break through DM1.55 against the D-Mark on the upside. It failed to, despite indications that the convergence in US and German rates is a likely prospect.

The dollar's first charge at DM1.55 came after Mr Otmar Issing, the Bundesbank's chief economist, said that the margin between the Bundesbank's Lombard and Discount rates left room for manoeuvre. Traders felt that there could be room for an easing in the Lombard rate, perhaps at tomorrow's council meeting.

The second dollar surge was provoked by the advanced third quarter GDP figures in the US, which came in much better than expected at 2.7 per cent. Forecasts had been for a 1.6 per cent gain. The dollar peaked at DM1.5455 against the D-Mark but closed at DM1.5340, down nearly ¼ a pfennig on the day.

### £ IN NEW YORK

| Oct.27 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.5765-1.5775 | 1.5835 1.5845 |
| 1 month | 0.76-0.74pm | 0.83 0.81pm |
| 3 months | 1.58-1.55pm | 1.67 1.64pm |
| 12 months | 3.98-3.88pm | 4.06 3.98pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Oct.27 | Previous |
|---|---|---|
| 8.30 am | 78.5 | 80.1 |
| 9.00 am | 78.4 | 79.9 |
| 10.00 am | 78.4 | 79.2 |
| 11.00 am | 78.4 | 79.2 |
| Noon | 78.4 | 79.3 |
| 1.00 pm | 78.5 | 79.4 |
| 2.00 pm | 78.5 | 79.3 |
| 3.00 pm | 78.5 | 79.4 |
| 4.00 pm | 78.6 | 79.3 |

### CURRENCY MOVEMENTS

[illegible]

### CURRENCY RATES

[illegible]

### OTHER CURRENCIES

[illegible]

| | | |
|---|---|---|
| Korea(Sth) | 1230.85 - 1250.65 | 780.20 - 786.40 |
| Kuwait | 0.46600 - 0.46700 | 0.29670 - 0.29700 |
| Luxembourg | 49.65 - 49.75 | 31.45 - 31.55 |
| Malaysia | 3.9295 - 3.9415 | 2.5040 - 2.5050 |
| Mexico | 4865.45 - 4878.60 | 3128.00 - 3130.00 |
| N.Zealand | 2.9400 - 2.9435 | 1.8715 - 1.8735 |
| Saudi Ar | 5.8495 - 5.9635 | 3.7495 - 3.7505 |
| Singapore | 2.5410 - 2.5485 | 1.6185 - 1.6195 |
| S.Af (Cm) | 4.6320 - 4.6445 | 2.9510 - 2.9525 |
| S.Af (Fn) | 6.7860 - 6.8305 | 4.3195 - 4.3480 |
| Taiwan | 39.75 - 39.90 | 25.30 - 25.40 |
| U.A.E. | 5.7275 - 5.8410 | 3.6715 - 3.6735 |

*Floating rate. Iran Official rate:£104.15 $64.60

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Oct 27 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Belgian Franc | 41.9547 | 40.4459 | -3.60 | 3.85 | 48 |
| Dutch Guilder | 2.29193 | 2.21016 | -3.57 | 3.82 | 48 |
| D-Mark | 2.03412 | 1.96431 | -3.43 | 3.67 | 53 |
| Danish Krone | 7.79901 | 7.55279 | -2.66 | 2.85 | 3 |
| French Franc | 6.82216 | 6.66329 | -2.33 | 2.50 | -15 |
| Irish Punt | 0.759300 | 0.745885 | -1.77 | 1.91 | -38 |
| Portuguese Escudo | 176.844 | 175.142 | -0.96 | 1.09 | -5 |
| Spanish Peseta | 139.176 | 139.333 | 0.11 | 0.00 | -24 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Oct 27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.5640 - 1.5810 | 1.5785 - 1.5795 | 0.76-0.74cpm | 5.70 | 1.59-1.56pm | 3.99 |
| Canada | 1.9435 - 1.9780 | 1.9475 - 1.9485 | 0.31-0.12cpm | 1.32 | 0.72-0.36pm | 1.11 |
| Netherlands | 2.7030 - 2.7455 | 2.7200 - 2.7300 | ½-parcpm | 0.28 | ½-¾dis | -0.92 |
| Belgium | 49.45 - 50.25 | 49.65 - 49.75 | 3-parcpm | 0.36 | 6-12dis | -0.72 |
| Denmark | 9.2380 - 9.3440 | 9.2950 - 9.3050 | 1¾-2¾oredis | -2.66 | 7-8½dis | -3.31 |
| Ireland | 0.9125 - 0.9245 | 0.9175 - 0.9185 | 0.65-0.51cpm | 7.58 | 1.85-1.60pm | 7.52 |
| Germany | 2.4020 - 2.4295 | 2.4200 - 2.4250 | par-⅛pfdis | -0.31 | ½-¾dis | -1.03 |
| Portugal | 214.45 - 218.25 | 215.05 - 216.05 | 200-275cdis | -13.22 | 450-615dis | -9.88 |
| Spain | 170.60 - 173.20 | 171.00 - 171.30 | 60-90cdis | -5.26 | 230-280dis | -5.96 |
| Italy | 2081.10 - 2118.00 | 2101.00 - 2102.00 | 9-12liredis | -6.00 | 32-34dis | -6.28 |
| Norway | 9.8000 - 9.9520 | 9.8650 - 9.8750 | 1½-2oredis | -1.98 | 6½-7⅞dis | -2.94 |
| France | 8.1480 - 8.2345 | 8.2125 - 8.2225 | ¾-1cdis | -1.28 | 3¼-4½dis | -1.98 |
| Sweden | 9.0480 - 9.2030 | 9.1125 - 9.1225 | 2⅞-3¾oredis | -4.36 | 10-11¼dis | -4.66 |
| Japan | 191.45 - 193.75 | 192.75 - 193.75 | 1-¾ypm | 5.43 | 2-1⅞pm | 4.01 |
| Austria | 16.89 - 17.04 | 16.99 - 17.02 | 1⅛-½gropm | 0.53 | 1¼-4½dis | -0.74 |
| Switzerland | 2.1430 - 2.1665 | 2.1525 - 2.1625 | ⅝-⅜cpm | 2.78 | ¾-½pm | 1.51 |
| Ecu | 1.2260 - 1.2365 | 1.2355 - 1.2365 | 0.14-0.20cdis | -1.65 | 0.38-0.47dis | -1.38 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.53-2.48pm. 12 Month 3.95-3.85pm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Oct 27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.5640 - 1.5810 | 1.5785 - 1.5795 | 0.76-0.74cpm | 5.70 | 1.59-1.56pm | 3.99 |
| Ireland† | 1.7055 - 1.7210 | 1.7180 - 1.7190 | 1.80-1.60cpm | 11.87 | 4.55-4.15pm | 10.13 |
| Canada | 1.2345 - 1.2495 | 1.2360 - 1.2370 | 0.45-0.52cdis | -4.71 | 0.95-1.05dis | -3.23 |
| Netherlands | 1.7200 - 1.7395 | 1.7260 - 1.7270 | 0.83-0.86cdis | -5.87 | 2.20-2.25dis | -5.15 |
| Belgium | 31.45 - 31.80 | 31.45 - 31.55 | 14.00-16.00cdis | -5.71 | 37.00-40.00dis | -4.89 |
| Denmark | 5.8825 - 5.9280 | 5.8875 - 5.8925 | 3.50-5.00oredis | -8.66 | 10.50-13.00dis | -7.98 |
| Germany | 1.5185 - 1.5470 | 1.5335 - 1.5345 | 0.76-0.77pfdis | -5.98 | 2.02-2.05dis | -5.31 |
| Portugal | 136.65 - 137.45 | 136.65 - 136.75 | 200-230cdis | -18.87 | 450-520dis | -14.19 |
| Spain | 108.70 - 109.80 | 108.70 - 108.80 | 95-105cdis | -11.03 | 274-289dis | -10.35 |
| Italy | 1321.00 - 1335.00 | 1330.75 - 1331.25 | 13.00-14.50liredis | -12.40 | 34.50-37.50dis | -10.82 |
| Norway | 6.2370 - 6.3125 | 6.2475 - 6.2525 | 3.50-4.75oredis | -7.92 | 10.25-12.25dis | -7.20 |
| France | 5.1860 - 5.2450 | 5.2025 - 5.2075 | 3.06-3.16cdis | -7.17 | 8.10-8.30dis | -6.30 |
| Sweden | 5.7615 - 5.8300 | 5.7725 - 5.7775 | 4.25-5.25oredis | -9.87 | 12.00-13.50dis | -8.83 |
| Japan | 121.75 - 122.65 | 122.30 - 122.40 | 0.06-0.07ydis | -0.64 | 0.03-0.05dis | -0.13 |
| Austria | 10.7600 - 10.8400 | 10.7950 - 10.8000 | 4.75-5.15grodis | -5.50 | 12.65-13.75dis | -4.89 |
| Switzerland | 1.3600 - 1.3790 | 1.3655 - 1.3665 | 0.34-0.37cdis | -3.12 | 0.93-0.97dis | -2.78 |
| Ecu | 1.2675 - 1.2815 | 1.2805 - 1.2815 | 0.79-0.75cpm | 7.21 | 2.03-1.97pm | 6.25 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| Oct 27 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10 - 9½ | 9¾ - 9½ | 8⅞ - 8⅞ | 7⅞ - 7⅞ | 7⅛ - 6⅞ | 6⅞ - 6⅞ |
| US Dollar | 3¼ - 3⅛ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅝ - 3½ | 3⅞ - 3¾ | 4 - 3⅞ |
| Can. Dollar | 8¼ - 8 | 7⅜ - 7¼ | 7¼ - 7 | 6½ - 6¼ | 6 - 5¾ | 5⅞ - 5⅝ |
| Dutch Guilder | 8¾ - 8⅝ | 8⅞ - 8⅞ | 8¾ - 8⅝ | 8⅝ - 8½ | 8¼ - 8⅛ | 7⅞ - 7⅝ |
| Swiss Franc | 6⅜ - 6¼ | 6⅛ - 6 | 6⅛ - 6 | 6⅞ - 6⅞ | 6⅛ - 6 | 5⅞ - 5⅞ |
| D-Mark | 9⅛ - 9 | 9⅛ - 9 | 8⅞ - 8⅞ | 8⅞ - 8⅞ | 8⅝ - 8½ | 7⅞ - 7⅞ |
| French Franc | 10 - 9¾ | 10 - 9¾ | 9⅞ - 9⅞ | 9⅞ - 9⅞ | 9⅝ - 9½ | 9 - 8⅞ |
| Italian Lira | 15 - 13 | 15½ - 14½ | 15 - 14½ | 14⅛ - 13⅞ | 14 - 13½ | 13⅝ - 13 |
| Belgian Franc | 9 - 8⅞ | 8⅞ - 8⅞ | 8⅞ - 8⅝ | 8⅞ - 8⅞ | 8⅝ - 8⅝ | 8 - 7⅞ |
| Yen | 4⅛ - 3⅞ | 4⅛ - 3⅞ | 4 - 3⅞ | 3⅞ - 3⅞ | 3⅞ - 3⅞ | 3⅞ - 3⅝ |
| Danish Krone | 12 - 11 | 13 - 12 | 13 - 12½ | 12⅝ - 12⅛ | 12⅛ - 11⅛ | 11½ - 11 |
| Asian $Sing. | 2⅛ - 2⅛ | 2⅛ - 2 | 2⅛ - 2 | 2⅛ - 2⅛ | 2⅝ - 2⅛ | 2⅞ - 2⅝ |
| Spanish Peseta | 15½ - 15¼ | 14¾ - 14⅞ | 14⅞ - 13⅞ | 13⅞ - 13⅞ | 13¾ - 13⅞ | 13½ - 13¼ |

Long term Eurodollars: two years 4⅛-4⅝ per cent; three years 5⅛-5⅞ per cent; four years 5⅞-5⅞ per cent; five years 6⅞-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Oct.27 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. | Pta. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.579 | 2.423 | 193.3 | 8.218 | 2.158 | 2.725 | 2102. | 1.948 | 49.70 | 171.2 | 1.236 |
| $ | 0.633 | 1 | 1.535 | 122.4 | 5.205 | 1.367 | 1.726 | 1331 | 1.234 | 31.48 | 108.4 | 0.783 |
| DM | 0.413 | 0.652 | 1 | 79.78 | 3.392 | 0.891 | 1.125 | 867.5 | 0.804 | 20.51 | 70.66 | 0.510 |
| YEN | 5.173 | 8.169 | 12.53 | 1000. | 42.51 | 11.16 | 14.10 | 10874 | 10.08 | 257.1 | 885.7 | 6.394 |
| F Fr. | 1.217 | 1.921 | 2.948 | 235.2 | 10. | 2.626 | 3.316 | 2558 | 2.370 | 60.48 | 208.3 | 1.504 |
| S Fr. | 0.463 | 0.732 | 1.123 | 89.57 | 3.808 | 1 | 1.263 | 974.1 | 0.903 | 23.03 | 79.33 | 0.573 |
| N Fl. | 0.367 | 0.579 | 0.889 | 70.94 | 3.016 | 0.792 | 1 | 771.4 | 0.715 | 18.24 | 62.83 | 0.454 |
| Lira | 0.476 | 0.751 | 1.153 | 91.96 | 3.910 | 1.027 | 1.296 | 1000. | 0.927 | 23.64 | 81.45 | 0.588 |
| C$ | 0.513 | 0.811 | 1.244 | 99.23 | 4.219 | 1.108 | 1.399 | 1079 | 1 | 25.51 | 87.89 | 0.634 |
| B Fr. | 2.012 | 3.177 | 4.875 | 388.9 | 16.54 | 4.342 | 5.483 | 4229 | 3.920 | 100. | 344.5 | 2.487 |
| Pta | 0.584 | 0.922 | 1.415 | 112.9 | 4.800 | 1.261 | 1.592 | 1228 | 1.138 | 29.03 | 100. | 0.722 |
| Ecu | 0.809 | 1.278 | 1.960 | 156.4 | 6.649 | 1.746 | 2.205 | 1701 | 1.576 | 40.21 | 138.5 | 1. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

[illegible]

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls December | Calls March | Calls June | Puts December | Puts March | Puts June |
|---|---|---|---|---|---|---|
| 107 | 3.53 | - | - | 0.05 | - | - |
| 108 | 2.56 | 3.51 | - | 0.10 | 0.47 | - |
| 109 | 1.67 | 2.72 | - | 0.21 | - | - |
| 110 | 0.90 | - | - | 0.43 | - | - |
| 111 | 0.39 | 1.44 | - | 0.88 | 1.36 | - |
| Open Int | 280,864 | 113,608 | 1,742 | 222,020 | 97,175 | 1,460 |

Estimated volume 31,101 † Total Open Interest 716,869
† All Yield & Open Interest figures are for the previous day.

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 8 | Credit Lyonnais | 8 | McDonnell Douglas Bnk | 8 |
| Allied Trust Bank | 8 | Cyprus Popular Bk | 8 | Midland Bank | 8 |
| AIB Bank | 8 | Duncan Lawrie | 8 | Mount Banking | 9 |
| ● Henry Ansbacher | 8 | Equatorial Bank plc | 8 | NatWestminster | 8 |
| B & C Merchant Bank | 13 | Exeter Bank Limited | 9.5 | Northern Bank Ltd | 8 |
| Bank of Baroda | 8 | Financial & Gen. Bank | 9 | Nykredit Mortgage Bank | 8.5 |
| Banco Bilbao Vizcaya | 8 | ● Robert Fleming & Co. | 8 | ● Rea Brothers | 8 |
| Bank of Cyprus | 8 | Robert Fraser & Ptnrs. | 8.5 | Roxburghe Bank Ltd. | 10 |
| Bank of Ireland | 8 | Girobank | 8 | Royal Bk of Scotland | 8 |
| Bank of India | 8 | ● Guinness Mahon | 8 | ● Smith & Williamson Secs. | 8 |
| Bank of Scotland | 8 | Habib Bank AG Zurich | 8 | Standard Chartered | 8 |
| Banque Belge Ltd | 9 | ● Hambros Bank | 8 | TSB | 8 |
| Barclays Bank | 8 | Hampshire Trust Plc | 13.5 | Unibank plc | 8 |
| Brit Bk of Mid East | 8 | Heritable & Gen Inv Bnk | 8 | ● United Bk of Kuwait | 9 |
| ● Brown Shipley | 8 | ● Hill Samuel | 8 | Unity Trust Bank Plc | 8 |
| CL Bank Nederland | 8 | C. Hoare & Co. | 8 | Western Trust | 8 |
| Citibank NA | 8 | Hongkong & Shanghai | 8 | Whiteaway Laidlaw | 8 |
| City Merchants Bank | 8 | Julian Hodge Bank | 8 | Yorkshire Bank | 8 |
| Clydesdale Bank | 8 | ● Leopold Joseph & Sons | 8 | | |
| Co-operative Bank | 8 | Lloyds Bank | 8 | | |
| Coutts & Co | 8 | Meghraj Bank Ltd | 8 | | |

● Members of British Merchant Banking & Securities Houses Association.

## MONEY MARKETS

# Sterling trade easier

*THE LIQUIDITY problem in* the sterling cash market continued to ease yesterday after the Bank of England forecast a shortage of only £300m at the start of its money market operations, *writes James Blitz.*

However, conditions in the D-Mark and French franc markets remained tight, following hints from Bundesbank officials that another cut in official German rates is unlikely at tomorrow's Bundesbank council meeting.

There was extreme volatility in the sterling markets early yesterday morning as dealers came in to work in London to find that the pound had slumped to a low of DM2.4070 against the D-Mark. The currency's fall encouraged dealers to believe that a base rate cut might not occur as quickly as expected, and the December sterling contract slipped to a low of 93.37 in morning trading.

Two factors then firmed futures and eased rates. The first was the CBI's quarterly report on industrial trends, showing that the UK economy is sliding further into recession and raising speculation that the chancellor will ease monetary policy to "go for growth."

The second factor was the Bank's forecast of a shortage of just £300m, far less than expected. Dealers assumed that the Bank had provided liquidity via foreign exchange swaps, selling sterling for foreign currencies. However, there was little doubt that the shortages will continue to affect the market until the Bank has built up its foreign reserves and pushed about £5bn back into the market.

Money market rates generally closed easier yesterday, with 3-month money closing at 7¾ per cent offered from a previous 8 per cent, and the 1 month down at 8¾ per cent from a previous 9¼ per cent. The December contract closed at 93.60, pricing 3 month money in December at 6.4 per cent.

The December Euromark contract fell back 3 basis points from its opening level, as dealers continued to assume that there will be no cut in German official rates this week. At a close of 91.77, the contract assumes that 3-month money will be at around 8.23 per cent at the end of the year. That prices in a cut in the discount rate by 50 basis points. The December French franc futures contract closed unchanged at 90.91.

**UK clearing bank base lending rate**
**8 per cent**
**from October 16, 1992**

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Oct.27) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3½ | offer 3⅝ | bid 3⅝ | offer 3¾ |

[illegible]

### MONEY RATES

**NEW YORK**

[illegible]

| | | | |
|---|---|---|---|
| Fed.funds | 2⅞ | One year | 3.48 |
| Fed.funds at intervention | - | Two year | 4.27 |

| Oct.27 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.80-8.90 | 8.75-8.90 | 8.75-8.90 | 8.70-8.85 | 8.20-8.35 | 9.50 |
| Paris | 9¾-10 | 9⅞-9⅞ | - | 9⅞-9⅞ | - | 9.60 |
| Zurich | 6-6¼ | 5⅞-6⅛ | - | 6-6⅛ | - | - |
| Amsterdam | 8.81-8.88 | 8.68-8.78 | - | 8.55-8.65 | - | - |
| Tokyo | 3⅞-4⅛ | 3⅞-4 | - | 3⅞-3⅞ | - | - |
| Milan | 14⅛-14⅛ | 14⅞-14⅞ | - | 14⅞-14⅞ | - | - |
| Brussels | 8.875-9 | 8⅞-8⅞ | - | 8⅞-8⅞ | - | - |
| Dublin | 14-14½ | 14⅞-15¼ | 14½-15 | 14½-15 | 13-13½ | - |

### LONDON MONEY RATES

| Oct 27 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 12 | 10 | 9 | 8 | 7¼ | 6⅞ |
| Interbank Bid | 6 | 9 | 8½ | 7⅝ | 7 | 6⅝ |
| Sterling CDs. | - | - | 8¾ | 7⅞ | 7⅛ | 6¾ |
| Local Authority Deps. | 9 | 9¼ | 8⅝ | 7¾ | 7 | 7 |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 9 | 9¼ | - | - | - | - |
| Company Deposits | - | - | - | - | - | - |
| Finance House Deposits | - | - | 8⅝ | 7⅝ | 7 | 6⅝ |
| Treasury Bills (Buy) | - | - | 7⅝ | 7⅛ | 6⅞ | - |
| Bank Bills (Buy) | - | - | 7⅞ | 7⅛ | 6⅞ | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs. | - | - | 3.18 | 3.46 | 3.46 | 3.76 |
| SDR Linked Dep. Offer | - | - | 5⅞ | 5¾ | 5⅝ | 5½ |
| SDR Linked Dep. Bid | - | - | 5⅝ | 5½ | 5⅜ | 5¼ |
| ECU Linked Dep. Offer | - | - | 10¼ | 10⅛ | 9⅞ | 9⅞ |
| ECU Linked Dep. Bid | - | - | 10 | 9⅞ | 9⅞ | 9⅞ |

Treasury Bills (sell); one-month 7½ per cent; three months 6⅞ per cent; six months 6⅞ per cent; Bank Bills (sell); one-month 7⅞ per cent; three months 6⅞ per cent; Treasury Bills; Average tender rate of discount 6.8774. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I: 11.18 p.c., Schemes II & III: 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V: 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4¼ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¼ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.



# MONEY MARKET FUNDS

## Money Market Trust Funds

[illegible]

## Money Market Bank Accounts

[illegible]

## JOTTER PAD

# CROSSWORD

No.7,988 Set by VIXEN

**ACROSS**

1 Taking sound steps, he expects public acclaim (3-6)
6 Suffer damage in a way (5)
9 "O world! how apt the poor are to be" (Shakespeare) (5)
10 Glaring – and sour, too, in disposition (9)
11 27 is to receive a single European, an art lover (10)
12 Inch border (4)
14 Fabulous creature just one point ahead (7)
15 Some err, break down, and show regret (7)
17 A woman crook naturally on the woman's side (7)
19 Striking games! (7)
20 Old foreign coin, the equivalent of about a pound (4)
22 Corrupting mature worker without hesitation (10)
25 Citadel taking a cut and turning over store (9)
26 Publication for children (5)
27 An Italian writer in the ascendant, evidently (5)
28 Grandees disturbed about oriental rats (9)

**DOWN**

1 Knock a top journalist and it's recorded (5)
2 Advertises professional charges (9)
3 Arranged a loan – it did allow extra (10)
4 Study can include a check (7)
5 A roundabout may well go up and down (7)
6 An unpleasant spot, so servicemen found (4)
7 Spoken – spoken as permitted (5)
8 Let assets go to pot, which is really not comme il faut (9)
13 Give voice about a parent being overwhelming (10)
14 Sly operative after French and German articles (9)
16 Prepared to create a scene (9)
18 A player messing about? (7)
19 Terrible Osmanli curse (7)
21 Protection for the domestic worker (5)
23 Hardy girl grabbing the queen's hair (5)
24 Copy about a quarter in the recess (4)

Solution to Puzzle No.7,987

PERSONAL COLUMN / SEPARATE TABLES / TRANSPORT GRAIL / DUCK BETWEEN / REORDER WANE / FLOOR PROSCRIBE / CARPET SLIPPERS / SIMPLE INTEREST

# WORLD STOCK MARKETS

## CANADA

TORONTO

4 pm close October 27

Total Sales 20,085,900 shares

MONTREAL

4 pm close October 27

## INDICES

### NEW YORK

| DOW JONES | Oct 27 | Oct 26 | Oct 23 | Oct 22 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3235.73 | 3244.11 | 3207.64 | 3200.88 | 3413.21 (1/6) | 3136.58 (9/10) | 3413.21 (1/6/92) | 41.22 (2/7/32) |
| Home Bonds | 102.18 | 101.97 | 101.99 | 102.06 | 103.20 (18/9) | 98.41 (20/3) | 103.20 (18/9/92) | 54.99 (1/10/81) |
| Transport | 1355.53 | 1356.34 | 1333.17 | 1313.43 | 1467.68 (20/2) | 1204.40 (26/8) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 218.14 | 217.06 | 216.32 | 216.07 | 225.59 (3/1) | 200.74 (8/4) | 236.23 (2/1/90) | 10.50 (8/4/32) |

DJ Indl. Day's High 3270.31 (3256.00) Low 3210.88 (3190.08) (Theoretical)
Day's High 3250.59 (3244.92) Low 3222.22 (3205.20) (Actual)

### STANDARD AND POOR'S

| | Oct 27 | Oct 26 | Oct 23 | Oct 22 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 418.49 | 418.16 | 414.10 | 414.90 | 425.27 (14/9) | 394.50 (8/4) | 425.27 (14/9/92) | 4.40 (1/6/32) |
| Industrials | 490.76 | 490.56 | 485.96 | 487.12 | 503.30 (14/9) | 470.91 (8/4) | 503.30 (14/9/92) | 3.62 (21/6/32) |
| Financial | 36.95 | 36.89 | 36.39 | 36.33 | 36.95 (27/10) | 32.40 (8/4) | 36.95 (27/10/92) | 8.64 (1/10/74) |
| NYSE Composite | 230.01 | 229.78 | 227.83 | 228.10 | 233.73 (14/9) | 217.92 (8/4) | 233.73 (14/9/92) | 4.46 (25/4/42) |
| Amex Mkt. Value | 376.65 | 376.16 | 374.24 | 374.51 | 418.99 (12/2) | 364.85 (9/10) | 418.99 (12/2/92) | 29.31 (9/12/72) |
| NASDAQ Composite | 596.95 | 598.92 | 597.30 | 597.12 | 644.92 (12/2) | 547.84 (26/6) | 644.92 (12/2/92) | 54.87 (31/10/72) |

| | Oct 23 | Oct 16 | Oct 9 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.24 | 3.27 | 3.31 | 3.09 |

| | Oct 21 | Oct 14 | Oct 7 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.72 | 2.76 | 2.80 | 2.69 |
| S & P Indl. P/E ratio | 27.22 | 26.77 | 26.45 | 21.44 |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| RJ Nabisco | 4,680,500 | 8¼ | + ¼ |
| IBM | 4,522,600 | 65¼ | - 1¼ |
| Citicorp | 2,713,400 | 16¼ | - ¼ |
| Am Express | 2,663,800 | 20½ | --- |
| Philip Morris | 2,592,300 | 76½ | + ⅞ |
| Gen Motors | 2,413,000 | 32½ | - 1⅛ |
| Glaxo | 2,396,800 | 25¼ | + ⅛ |
| Syntex | 2,169,200 | 24¼ | + ¼ |
| Merck | 2,153,400 | 43¼ | + ¼ |
| Royal Appl | 2,139,100 | 12⅞ | + 2⅞ |

### TRADING ACTIVITY

| † Volume (Millions) | Oct 27 | Oct 26 | Oct 23 |
|---|---|---|---|
| New York SE | 201.650 | 187.975 | 197.590 |
| Amex | 12.643 | 12.423 | 12.666 |
| NASDAQ | (u) | 168.795 | 229.239 |
| NYSE | | | |
| Issues Traded | 2,360 | 2,371 | 2,342 |
| Rises | 851 | 1,095 | 908 |
| Falls | 903 | 697 | 820 |
| Unchanged | 606 | 579 | 614 |
| New Highs | 66 | 65 | 50 |
| New Lows | 51 | 50 | 37 |

### CANADA

| TORONTO | Oct 27 | Oct 26 | Oct 23 | Oct 22 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2676.37 | 2729.47 | 2679.05 | 2695.52 | 3238.87 (16/1) | 2603.82 (15/10) |
| Composite | 3286.40 | 3276.00 | 3246.76 | 3258.80 | 3666.00 (16/1) | 3195.40 (14/10) |
| MONTREAL Portfolio | 1733.03 | 1727.55 | 1705.00 | 1709.48 | 1937.59 (16/1) | 1663.16 (14/10) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◊ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

| | Oct 27 | Oct 26 | Oct 23 | Oct 22 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1436.6 | 1450.7 | 1455.5 | 1448.2 | 1684.50 (22/5) | 1417.60 (19/10) |
| All Mining (1/1/80) | 615.7 | 622.6 | 622.5 | 612.0 | 726.80 (3/7) | 593.30 (19/10) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 332.65 | (c) | 332.39 | 332.17 | 458.57 (24/2) | 291.41 (13/8) |
| Traded Index (2/1/91) | 806.50 | (c) | 807.02 | 806.84 | 1099.43 (24/2) | 682.96 (13/8) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1129.96 | 1134.80 | 1132.96 | 1121.78 | 1235.40 (2/6) | 1046.07 (2/9) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 250.93 | 252.44 | 254.34 | 257.44 | 365.29 (15/1) | 250.93 (27/10) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 716.4 | 709.6 | 690.3 | 675.8 | 935.90 (24/2) | 541.00 (7/9) |
| **FRANCE** | | | | | | |
| CAC General (31/12/81) | 464.00 | 466.16 | 460.76 | 454.94 | 555.93 (12/5) | 441.70 (7/10) |
| CAC 40 (31/12/87) | 1774.48 | 1770.74 | 1766.41 | 1730.74 | 2077.49 (11/5) | 1611.04 (5/10) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 603.39 | 604.11 | 598.51 | 595.09 | 725.26 (26/5) | 565.61 (12/10) |
| Commerzbank (1/12/53) | 1705.40 | 1707.6 | 1691.9 | 1681.4 | 2043.80 (25/5) | 1594.60 (12/10) |
| DAX (30/12/87) | 1533.77 | 1542.49 | 1526.82 | 1510.11 | 1811.57 (25/5) | 1420.30 (6/10) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 6218.01 | 6062.47 | 6262.54 | 6329.12 | 6329.12 (22/10) | 4301.78 (2/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1153.16 | (c) | 1148.01 | 1142.86 | 1469.57 (17/1) | 1094.88 (19/10) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 418.89 | 419.70 | 417.19 | 414.42 | 551.59 (6/2) | 354.93 (16/9) |
| MIB General (2/1/92) | 827.0 | 829.0 | 822.0 | 813.0 | 1086.00 (6/2) | 696.00 (16/9) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 17185.26 | 17011.33 | 17117.65 | 17013.04 | 23801.18 (6/1) | 14309.41 (18/8) |
| Tokyo SE (Topix) (4/1/68) | 1297.53 | 1288.70 | 1296.69 | 1293.27 | 1763.43 (6/1) | 1102.50 (18/8) |
| 2nd Section (4/1/68) | 1681.99 | 1689.49 | 1695.88 | 1689.61 | 2459.85 (6/1) | 1502.77 (19/8) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 633.32 | (c) | 630.07 | 623.87 | 633.32 (27/10) | 546.63 (14/1) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl.Rtn.Gen.(End 1983) | 288.2 | 287.8 | 288.4 | 287.2 | 314.90 (9/6) | 274.00 (8/1) |
| CBS All Shr (End 1983) | 194.3 | 194.0 | 194.4 | 193.6 | 215.50 (26/5) | 189.70 (25/8) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 621.71 | 615.61 | 610.10 | 611.31 | 772.74 (18/5) | 532.43 (25/8) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1322.14 | (c) | 1321.41 | 1327.68 | 1580.95 (11/6) | 1083.01 (17/3) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 366.57 | (c) | 368.11 | 351.46 | 416.99 (21/1) | 351.41 (21/10) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 822.0 | 857.0 | 867.0 | 864.0 | 1327.00 (21/1) | 782.00 (15/10) |
| JSE Industrial (28/9/78) | 3995.0 | 4003.0 | 3993.0 | 3993.0 | 4689.60 (4/6) | 3936.00 (19/10) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 584.10 | 582.74 | 571.34 | 568.97 | 691.48 (8/2) | 459.07 (21/8) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 198.74 | 200.02 | 201.18 | 200.05 | 266.51 (28/2) | 179.48 (5/10) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 724.80 | 722.90 | 721.9 | 701.0 | 1004.50 (11/5) | 639.00 (5/10) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 845.9 | 847.1 | 844.1 | 843.0 | 883.40 (11/5) | 748.50 (8/1) |
| SBC General (1/4/87) | 645.2 | 646.1 | 643.0 | 641.8 | 682.30 (11/5) | 596.40 (26/8) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 3647.97 | (c) | 3662.60 | 3699.23 | 5391.63 (30/1) | 3351.63 (26/9) |
| **THAILAND** | | | | | | |
| Bangok SET (30/4/75) | 908.46 | 913.88 | 903.39 | 902.76 | 913.88 (26/10) | 667.84 (19/5) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) ($) | 489.6* | 488.6 | 486.7 | 490.9 | 542.10 (7/1) | 467.50 (8/4) |
| Euro Top-100 (26/6/90) | 831.90 | 833.54 | 834.02 | 821.98 | 976.55 (25/5) | 772.52 (5/10) |

**Saturday October 24: Taiwan Weighted Price: (c), Korea Comp Ex. 557.86
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Tuesday, October 27, 1992

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nikken Chems | 5.3m | 1,180 | +70 |
| Nippon Zeon | 4.5m | 709 | +39 |
| Aishin Seika | 3.1m | 1,160 | +20 |
| Snow Brand | 2.9m | 813 | +18 |
| Lion | 2.7m | 635 | +10 |
| Shionogi & Co | 2.4m | 840 | +40 |
| Isetan | 1.8m | 2,280 | +50 |
| Nippon Steel | 1.7m | 289 | +1 |
| NEC Corp | 1.7m | 888 | +8 |
| Sumitomo Hvy | 1.6m | 435 | +18 |

Price data supplied by Telekurs.

NOTES — Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable, § Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all.

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

*4 pm close October 27*

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅞ | 11 | AAR Corp | 0.48 | 4.1 | 19 | 380 | 11⅞ | 11½ | 11⅝ | -¼ |
| 27 | 18 | A L Labs A | 0.16 | 0.7 | 94 | 317 | u27⅛ | 26⅜ | 26½ | -½ |
| 68¾ | 52⅝ | AMP Inc | 1.52 | 2.4 | 24 | 2068 | 62⅞ | 62 | 62⅝ | |
| 80¼ | 54⅛ | AMR | | | | 127036 | 65⅞ | 63¼ | 63⅜ | -1 |
| 2⅜ | 1⅞ | ARX | | | 22 | 617 | 2 | 2 | 2 | +⅛ |
| 63½ | 32½ | ASA | 2.00 | 6.5 | 30 | 639 | 32 | d31 | 31 | -1½ |
| 34⅞ | 28⅞ | Abbott Lab | 0.60 | 2.1 | 20 | 7102 | 29⅛ | 28¾ | 28⅞ | -⅛ |
| 13⅞ | 10¼ | Abitibi Pr | 0.42 | 4.0 | 5 | 30 | 10⅝ | d10⅝ | 10⅝ | -⅛ |
| 11⅝ | 10⅛ | ACM Gvt Inc | 0.96 | 8.7 | | 525 | 11⅛ | 10⅞ | 11 | +⅛ |
| 10⅛ | 9⅛ | ACM GvOpp | 0.79 | 8.5 | | 151 | 9⅜ | 9¼ | 9⅜ | |
| 9⅞ | 8½ | ACM Gvt Sp | 0.79 | 8.7 | | 176 | 9⅛ | 9 | 9⅛ | |
| 11⅞ | 10⅛ | ACM Gvt Se t | 1.03 | 9.7 | | 193 | 10⅝ | 10⅝ | 10⅝ | |
| 10⅝ | 8⅝ | ACM Man | 1.08 | 11.5 | | 220 | 9½ | 9⅜ | 9⅜ | -⅛ |
| 12⅞ | 9⅛ | ACM Managd | 0.99 | 10.3 | | 111 | 9⅝ | 9½ | 9⅝ | +⅛ |
| 11¼ | 4⅛ | Acme Cleve | 0.40 | 5.2 | 14 | 412 | 7¾ | 7½ | 7⅝ | +¼ |
| 6¼ | 3¾ | Acme Elect | | | 33 | 117 | 4⅝ | 4⅜ | 4⅜ | -⅛ |
| 33¼ | 14⅜ | Acuson | | | 12 | 436 | 16⅝ | 16 | 16 | -½ |
| 20 | 18⅛ | Adams Expr | 0.48 | 2.5 | 1 | 48 | 19½ | 19⅜ | 19½ | |
| 49⅛ | 29½ | Ad Micro | 3.00 | 7.6 | | 291 | 39⅝ | 33 | 33¼ | +⅜ |
| 21½ | 7½ | Ad Micro P | 3.00 | 20.3 | | 43474 | 14⅞ | 14¼ | 14¾ | +⅛ |
| 9⅝ | 4⅞ | Advest Grp | 0.16 | 2.7 | 75 | 14 | 6 | 6 | 6 | |
| 42¾ | 33 | Aegon ADR | 1.35 | 3.2 | 7 | 130 | 42⅛ | 42 | 42 | |
| 47 | 38 | Aetna Ll | 2.76 | 6.6 | 10 | 678 | 42½ | 41¼ | 41¼ | -⅝ |
| 12¾ | 6⅛ | Afil A | 0.24 | 2.2 | 14 | 410 | 10⅞ | 10⅝ | 10⅞ | +⅛ |
| [illegible] | | | | | | | | | | |

## - B -

[illegible]

## - C -

[illegible]

## - D -

[illegible]

## - E -

[illegible]

## - F -

[illegible]

## - G -

[illegible]

## - H -

[illegible]

## - I -

[illegible]

## - J -

[illegible]

## - K -

[illegible]

## - L -

[illegible]

## - M -

[illegible]

## - N -

[illegible]

## - O -

[illegible]

## - P - Q -

[illegible]

## - R -

[illegible]

## - S -

[illegible]

Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

## - X - Y - Z -

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close | Ch'ge |
|---|---|---|---|---|---|---|---|---|---|---|
| 82¼ | 68½ | Xerox | 3.00 | 3.9 | 18 | 7442 | 76¾ | 75½ | 76 | -2¼ |
| 55 | 50½ | Xerox4.125 | | | | 8 | 53 | 52½ | 53 | -½ |
| 34⅞ | 24⅞ | Xtra 1.94 | 1.94 | 6.1 | | 10 | 32⅜ | 32⅛ | 31⅞ | -½ |
| 47½ | 28½ | Xtra Corp | 0.80 | 1.8 | 13 | 13 | 44⅞ | 44⅝ | 44¾ | -¼ |
| 30⅝ | 25¼ | Yankee Egy | 1.66 | 5.6 | 13 | 72 | 29 | 28¾ | 28¾ | -¼ |
| 1½ | ½ | Zapata | | | 28 | 103 | 1⅛ | 1 | 1⅛ | +⅛ |
| 11⅛ | 5½ | ZenithElec | | | | 3 477 | 5⅞ | 5⅝ | 5¾ | |
| 19½ | 14½ | Zenith Nat | 1.00 | 5.9 | 8 | 13 | 16⅞ | 16¾ | 16⅞ | +⅛ |
| 7½ | 6 | Zenix Inc x | 0.82 | 13.1 | | 663 | 6⅜ | 6⅛ | 6¼ | -⅛ |
| 13¾ | 10 | Zero Corp | 0.40 | 3.3 | 18 | 507 | 12⅛ | 11⅞ | 12¼ | +⅛ |
| 38 | 27¾ | Zurn Ind x | 0.88 | 2.7 | 37 | 216 | 32⅞ | 32⅜ | 32¼ | -⅛ |
| 14⅛ | 12 | Zweig Fund | 1.12 | 9.1 | | 189 | 12⅜ | 12¼ | 12¼ | |
| 11 | 9½ | Zweig Totl | 0.96 | 9.6 | | 773 | 10 | 9⅞ | 10 | |

*Price data supplied by Telekurs.*

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

*4 pm close October 27*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Pel HI&P | 1.14 | 13 | 3 | 15¾ | 15¼ | 15¾ | -¼ |
| Phil LD | 0.26 | 15 | 474 | 37⅜ | 37⅛ | 37⅛ | -⅛ |
| Pittway A | 1.10 | 16 | 20 | 31¼ | 30¾ | 30¾ | -¼ |
| Ply Gem | 0.12 | 20 | 20 | 10 | 10 | 10 | |
| PMC x | 0.68 | 14 | 85 | 10¾ | 10⅝ | 10¾ | +⅛ |
| PresidioA | 0.10 | 1 | 325 | 1⅜ | d1/16 | 1⅞ | -⅞ |
| Price Com | | 0 | 68 | | | | |



# NASDAQ NATIONAL MARKET

*4 pm close October 27*

## - X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx | | 18 | 3257 | 17¼ | 16¾ | 17 | +⅛ |
| Xoma Corp | | 5 | 1072 | 10¾ | 9½ | 9¾ | -½ |
| Yellow Fr | 0.94 | 20 | 1042 | 27½ | 26½ | 26⅝ | -⅝ |
| York Rsch | | 6 | 3787 | 7 | 6⅜ | 6½ | |
| ZionsUtah | 1.44 | 10 | 132 | 62½ | 60¼ | 60¾ | |

AMERICA

# Further weakness in IBM drags Dow lower

## Wall Street

*US markets failed to draw strength from a better-than-expected third-quarter economic growth report, and by the close prices were mostly lower with IBM again dragging down the Dow Jones Industrial Average, writes Patrick Harverson in New York.*

The Dow finished 8.38 lower at 3,235.73, although off its trough for the day when the average had been down more than 20 points. The more broadly based Standard & Poor's 500 closed up 0.32 at 418.48, while the Amex composite ended up 0.49 at 376.65 and the Nasdaq composite down 1.97 at 596.95. Turnover on the NYSE was busy at 210m shares.

Investors ignored the week's most important economic data, the gross domestic product report for the third quarter which showed a 2.7 per cent rise in output between July and September. Although it was a bigger increase than analysts had expected, it failed to inspire confidence in the outlook for the economy, and most forecasters are still predicting a slower rate of growth in the final quarter of the year.

The market was not helped by a big fall in the Conference Board's September index of consumer confidence, which dropped from 57.3 to 53.0 last month. Although the figures sparked a welcome rally in bond prices, the Treasury market's gains failed to lift sentiment in the equity market.

Among individual stocks, IBM could not shake the sellers that have devastated the stock since the company announced disappointing quarterly earnings a week and a half ago. IBM fell another $1¼ to $65¾, a new low for the year, in turnover of 3.2m shares. This latest drop was sparked by newspaper reports that suggested a bleak outlook for the computer mainframe market.

Other big stocks were also hit by sellers. General Motors, which has yet to announce a successor to its ousted chairman, Mr Robert Stempel, fell $1⅞ to $32⅞. Xerox plunged $2¼ to $76 after the company announced third quarter earnings of $135m and a $444m provision related to the restructuring of the group's Crum & Forster unit.

Xerox also warned that there may be a need for further provisions. Northern Telecom rose $1⅝ to $36½ in turnover of ½m shares on news of third quarter net income of 46 cents a share, slightly lower than the 48 cents a share earned at the same stage last year.

RJR Nabisco firmed $⅛ to $8¼ in turnover of almost 3m shares after the company announced net income of 18 cents a share for the third quarter, up from 7 cents a share a year earlier.

## Canada

TORONTO stocks ended higher in active trading, following Monday's defeat of a package of constitutional changes in a national referendum.

According to preliminary data, the TSE 300 index rose 10.45 points, or 0.32 per cent, to close at 3,286.44. Advances led declines 322 to 225, volume of 38.2m shares was below Monday's 39.2m, and trading value rose to C$395.6m from the previous C$244m.

Industrial products and banking were up 1.48 per cent and 1 per cent, respectively. Consumer products rose moderately, energy stocks were flat. Golds and mining decreased 1.90 per cent and 1.95 per cent, respectively. In all, eight of the 14 stock groups ended higher.

EUROPE

# Bundesbank keeps investors guessing

*INVESTORS were cautious ahead of the Bundesbank's council meeting tomorrow, writes Our Markets Staff.*

FRANKFURT turned lower as hopes that the Bundesbank would ease interest rates at its Thursday meeting began to fade. However, in the present mood of uncertainty and speculation, comments by one central bank member just before the close were interpreted by some that there was still room for manoeuvre. The DAX index responded by coming off the day's low of 1524.41 to finish down 8.72 at 1,533.77. Turnover was a moderate DM4.6bn after DM4.7bn.

Schering made one of the day's biggest advances with a rise of DM21.50 or 3 per cent to DM698.00 on a buy recommendation from Nomura Research. Mr Harald Gruber, the analyst, said that "the higher net interest income and a better pharmaceutical performance will more than offset any possible setbacks in agrochemical profits in 1993". He forecast a 1993 EPS of DM46.70, after DM44.40 in 1991, rising to DM55.50 in 1994.

Porsche performed even better, gaining 6.5 per cent, on an old rumour, later denied, that Volkswagen was interested in taking it over. The shares leapt DM30 to DM485 while Volkswagen slipped DM1.20 to DM270.70.

Mannesmann fell back on a downgrade by James Capel, the shares finishing DM4.30 lower at DM215.00. The London broker said that it had lowered its forecast for 1992 and 1993 earnings because of the deterioration in European capital goods investment and reduced demand for steel.

PARIS had another see-saw day, driven by arbitrageurs, and the CAC-40 index ended 3.74 higher at 1,774.48 in slim turnover of FFr1.9bn. There was little news around to give the market direction.

Among individual stocks, Paribas dropped FFr12.50 or 3.6 per cent to FFr330.50 on news that it was lowering the sale price of Ciments Français to Italcementi to compensate for the recent disclosure of losses. Ciments Français dropped FFr29 or 9.1 per cent to FFr290 in very light volume on news that it expects a loss for 1992.

Elsewhere, a stronger dollar helped Saint-Gobain to rise by FFr11 to FFr495 while Lafarge fell back FFr5.10 to FFr301 on profit-taking after its recent rise. Peugeot dropped FFr14 to FFr523 and there was a report of stock on offer in London.

MILAN ended mixed as the market shook off most of its early losses. The Comit index eased 0.81 to 416.89 in turnover estimated at near Monday's L197.1bn. Trading was disrupted early on by a breakdown in the *telematico* screen trading system.

Shares in the state food group Sme were suspended by Consob pending an announcement from the company regarding the recent market rumours that it was about to be privatised.

News that Paribas and Italcementi had agreed that the Italian company would pay FFr500m less than originally agreed for a controlling stake in Ciments Français sent shares in Italcementi and the holding company Italmobiliare higher. Italmobiliare had been fixed down L620 at L33,530 but reached L35,900 in after-hours trading. Italcementi rose L210 or 2.6 per cent to L8,200. Pastorino issued a buy note on Italmobiliare yesterday, saying that the value of its underlying assets were completely neglected by the market.

AMSTERDAM edged higher on a firmer dollar and the CBS Tendency index rose 0.3 to 104.6.

Fokker remained in focus in spite of a further delay in the announcement of takeover terms with DASA. The shares closed 60 cents up at Fl 18.80.

Unilever advanced 90 cents to Fl 191.40 as the market anticipated good results next week, while DSM lost another 70 cents to Fl 84.70 ahead of tomorrow's third quarter figures.

ZURICH was slightly easier as the market consolidated in the absence of fresh news. The SMI index lost 3.5 to 1,927.4 in light volume.

UBS bearers were the most active on the day rising SFr2 to SFr835 while Volksbank shed some of the gains made on Monday with the cooperative shares slipping SFr35 to SFr770.

BRUSSELS closed narrowly mixed, as the Bel-20 index eased 4.84 to 1,129.96. Among the day's gainers were retailers with Delhaize up BFr20 to BFr1,640, supported by the stronger dollar.

MADRID eased in low volume with the general index closing down 1.28 at 198.74. Among the banks, Popular lost Pta80 to Pta9,620 while Santander went against the trend following its recent rise in interim earnings with a gain of Pta70 to Pta4,095.

STOCKHOLM finished steady to higher in spite of firmer domestic interest rates. The Affärsvärlden general index rose 1.9 to 724.8 in turnover of SKr402m after SKr357m.

HELSINKI continued to rise as domestic interest rates eased further. The HEX index rose 6.8 to 716.4 in turnover of FM41.6m.

**FT-SE Actuaries Share Indices**

October 27 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1034.79 | 1033.35 | 1032.45 | 1035.62 | 1038.70 | 1039.25 | 1038.34 | 1038.79 |
| FT-SE Eurotrack 200 | 1095.57 | 1094.05 | 1093.48 | 1099.29 | 1101.37 | 1102.65 | 1102.55 | 1100.79 |

| | Oct 26 | Oct 23 | Oct 22 | Oct 21 | Oct 20 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1038.16 | 1034.36 | 1021.53 | 1015.54 | 1021.70 |
| FT-SE Eurotrack 200 | 1104.46 | 1108.83 | 1095.16 | 1087.95 | 1090.40 |

Base value 1000 (26/10/90) High/day: 100 - 1041.18, 200 - 1106.33 Low/day: 100 - 1033.25 200 - 1092.73

# Politics and the economy depress Johannesburg

**Philip Gawith** explains why investors are nervous

Fragile international equity markets, poor growth prospects and a gloomy domestic political scene have created a very nervous mood on the Johannesburg Stock Exchange (JSE).

In spite of a 3.5 per cent recovery last week, the overall index is still 19 per cent off its high for the year of 3,749, achieved on June 5th, closing at 3,007 yesterday. The industrial index, which closed at 3,995, is 15 per cent off its year high while the gold index, at 822, recently hit a seven-year low.

Despite these corrections, there is broad consensus that the market is likely to go lower in the short term. Mr Rob Lee, of the Board of Executors financial institution, said that the recent correction was a case of the market catching up with reality, having previously defied the deteriorating political and business climate. The fundamentals, meanwhile, had worsened. "Ratings are still high while expectations are much worse than they were," said Mr Lee.

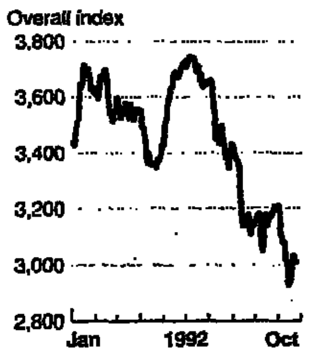
The gloomier sentiment is closely related to the dawning realisation that economic recovery in the main western economies will be slower than anticipated. South Africa is traditionally drawn out of recession by a commodity upturn, which now looks as though it may be delayed until 1994.

There is also concern about the possibility of a sizeable downward correction in the Dow Jones, which the JSE traditionally tracks closely. Some analysts also blame the spillover effect from tight global liquidity, which is depressing world markets and economies.

Prospects for domestic growth are little to get enthusiastic about. South Africa's GDP is likely to fall by about 1.5 per cent this year and average growth forecasts for next year are only about 1 per cent.

These poor fundamentals have already filtered over into bad corporate results, with the expectation of worse to come. Profit forecasts in recent weeks have stressed overwhelmingly the likelihood of weaker earnings in the year ahead.

**Johannesburg SE**



Source: FT Graphics

The traditional shortage of scrip argument as a support for the JSE is also undermined by potentially large cash calls on institutions: a R600m ($140.2m) rights issue from Stanbic, R1.3bn being sought for the Alusaf project and about R2bn for the Royal group's acquisition of Del Monte Foods International.

While the JSE is to a large extent mirroring international trends, there are also two factors that lend domestic flavour: the severe drought, which the Reserve Bank has estimated could knock 1.8 percentage points off GDP growth this year, and politics.

Following a two-year honeymoon period, when expectations of the political reform process tended towards the euphoric, the last three months have seen a mood of considerable, possibly exaggerated, pessimism set in. Although the current gloom probably has more to do with poor economic fundamentals, it could certainly do with a political fillip.

While the installation of an interim government might until recently have done the trick, cynicism about the political process has reached the stage where the market is probably likely to regard a new government only as introducing further uncertainty. Mr Tony Gibson, of the Syfrets group, said: "The longer you wait, the more good news you need to attract people back."

Sentiment has been further undermined by the dramatic plunge in the value of the financial rand, the investment currency for foreigners, earlier this month. A weak financial rand normally boosts share prices, but the failure of this to happen has highlighted the nervous mood among investors.

Mr James Inglis, of Liberty Asset Management, predicted a sharpening polarisation of the market as funds chase the increasingly small pool of "Rand Club" stocks which have the ability to continue raising earnings – especially defensive stocks like Premier and Tiger Oats in the food sector and financials such as Liberty and Stanbic – while allowing others to languish.

Mr Gibson foresaw continued vulnerability on the JSE until at least mid-1993. He said one of two things had to happen: either strong earnings growth would come through in the next six months, or current market ratings would unwind. Of the two, the latter appears more likely.

ASIA PACIFIC

# Futures-related buying supports Nikkei

## Tokyo

*HOPES of lower interest rates and a rally in the bond market prompted a rise in the futures market, and futures-related arbitrage buying supported the Nikkei average, writes Emiko Terazono in Tokyo.*

The 225-issue average rose 173.93 to 17,185.26 after a low of 16,997.89 and a high of 17,215.65. Although light profit-taking pushed the index below 17,000 in early trading, hopes of a cut in the official discount rate prompted buying towards the end of the morning.

Volume remained low at 150m shares against 136m, as most investors remained on the sidelines. Dealers, who have supported volume in recent weeks, were also absent on the last day of trading for October accounts.

Advances led declines by 502 to 389, with 195 issues remaining unchanged. The Topix index of all first section stocks advanced 8.83 to 1,297.53 and in London the ISE/Nikkei 50 index rose 1.09 to 1041.67.

In the absence of long-term buyers, trading by brokers dominated activity. Mr Warren Primhak, senior trader at Baring Securities, noted that companies that have made progress in restructuring operations provided a potential trading theme for traders.

Pharmaceutical stocks were active ahead of a conference on viral diseases. Shionogi rose Y40 to Y840 and Daiichi Pharmaceutical gained Y20 to Y1,660.

Nikken Chemicals, the most active issue, rose Y70 to Y1,160 on hopes for a cure to Alzheimer's disease. Snow Brand Milk added Y18 to Y813 and Takeda Chemical Y10 to Y1,250.

Lion, the toiletries maker, gained Y10 to Y635 on optimism over its restructuring plan, which was announced earlier this month.

Leading electronics makers rose on bargain hunting. Hitachi added Y15 to Y725 and Toshiba gained Y15 to Y582. Traders said no surprises were expected from their interim profits for the six months to September, which were due to be announced after the close.

In Osaka, the OSE average added 18.12 to 18,743.93 in a volume of 19.4m shares.

## Roundup

HONG KONG recorded its largest one-day gain since August, while other markets in the region were mixed.

HONG KONG reversed Monday's loses on institutional buying, with the Hang Seng Index advancing 155.54, or 2.6 per cent, to 6,218.01. Turnover fell to HK$3.1bn from HK$4bn.

Some analysts said that positive economic fundamentals outweighed the current political difficulties between Governor Chris Patten and China over the future of democracy in the colony after 1997.

TAIWAN, however, fell to its lowest level since June 1989 as concern about a slowdown in economic growth deterred activity. The weighted index lost 22.93 at 3,647.97 in a turnover of T$6bn.

The finance sector registered the steepest falls with the three big commercial banks losing between 50 cents and T$1.00.

SINGAPORE rose sharply as blue chips were actively sought and volume exceeded 100m shares for the first time in five months. The Straits Times Industrial index rose 24.44 to 1,390.91 as gains led falls by 238 to 35.

Among the actives, Singapore Press Foreign rose 70 cents to S$13.80 and OCBC Foreign put on 60 cents to S$10.60.

KUALA LUMPUR closed off the day's highs on profit-taking, with the composite index finishing 3.25 higher at 633.32 in a volume of 185.6m shares.

SEOUL firmed slightly on late institutional buying after further uncertainty as to whether Kim Woo-choong, chairman of Daewoo, will stand as a presidential candidate. Shares in Daewoo's eight listed companies closed limit-down, while the composite index rose 1.36 to 584.10 in a turnover of Won763.6bn.

MANILA showed a slight recovery after last week's fall and Monday's closure because of flooding in the capital following a typhoon. The composite index gained 0.73 to 1,322.14 in a combined turnover of 348m pesos.

AUSTRALIA extended Monday's fall with a further decline in the All Ordinaries index of 14.1 to 1,436.6. Some analysts said that the market was waiting for economic data due later this week.

Turnover of A$225.1m was boosted by heavy volume in Foster's rights, which finished 2 cents lower at 6.50 cents. The ordinary shares lost 6 cents to A$1.16. News Corp resisted the downward trend with a 14-cent gain to A$24.26.

NEW ZEALAND weakened in lacklustre trading with the NZSE-40 losing 2.47 to 1,383.44 in a low turnover of NZ$16m.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY OCTOBER 27 1992 | | | | | | | | MONDAY OCTOBER 26 1992 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992 High | 1992 Low | Year ago (approx) |
| Australia (68) | 118.55 | −2.4 | 111.31 | 91.68 | 94.55 | 111.77 | −1.2 | 4.37 | 121.51 | 113.52 | 93.71 | 97.20 | 113.11 | 153.68 | 118.55 | 156.90 |
| Austria (19) | 150.98 | −0.3 | 141.76 | 116.77 | 120.41 | 120.38 | +0.4 | 2.34 | 151.48 | 141.51 | 116.82 | 121.16 | 119.86 | 186.70 | 139.27 | 156.70 |
| Belgium (42) | 138.44 | −0.2 | 129.99 | 107.06 | 110.41 | 107.55 | −0.7 | 5.73 | 138.71 | 129.58 | 106.96 | 110.95 | 108.26 | 152.27 | 135.87 | 129.61 |
| Canada (114) | 117.43 | +1.4 | 110.26 | 90.81 | 93.64 | 105.14 | +0.2 | 3.39 | 115.86 | 108.24 | 89.34 | 92.66 | 104.91 | 142.12 | 112.97 | 140.84 |
| Denmark (33) | 185.73 | −0.5 | 174.39 | 143.65 | 148.13 | 148.79 | −0.6 | 1.84 | 186.57 | 174.30 | 143.89 | 149.28 | 149.72 | 273.94 | 185.73 | 253.79 |
| Finland (15) | 64.62 | +0.5 | 60.66 | 50.13 | 51.70 | 65.91 | +0.5 | 2.14 | 64.48 | 60.23 | 49.73 | 51.57 | 65.56 | 89.80 | 52.84 | 84.13 |
| France (101) | 149.92 | +0.4 | 140.76 | 115.94 | 119.55 | 122.40 | +0.2 | 3.69 | 149.30 | 139.48 | 115.13 | 119.41 | 122.14 | 168.75 | 146.54 | 140.26 |
| Germany (64) | 109.70 | −0.2 | 103.00 | 84.85 | 87.49 | 87.49 | −0.5 | 2.63 | 109.93 | 102.70 | 84.79 | 87.93 | 87.93 | 129.69 | 106.62 | 107.09 |
| *Hong Kong (53)* | *256.34* | *+2.5* | *240.69* | *198.25* | *204.45* | *254.32* | *+2.4* | *3.50* | *250.20* | *233.74* | *192.94* | *200.13* | *248.25* | *261.48* | *176.36* | *164.21* |
| Ireland (16) | 134.19 | −0.7 | 126.00 | 103.79 | 107.02 | 110.03 | −0.1 | 4.93 | 135.21 | 126.31 | 104.27 | 108.15 | 110.12 | 173.71 | 130.67 | 158.13 |
| Italy (77) | 55.80 | −0.2 | 52.40 | 43.16 | 44.60 | 55.47 | +0.0 | 3.74 | 55.91 | 52.23 | 43.11 | 44.72 | 55.47 | 80.86 | 47.47 | 68.13 |
| *Japan (472)* | *105.85* | *+0.6* | *99.38* | *81.86* | *84.42* | *81.86* | *+0.6* | *1.04* | *105.26* | *98.33* | *81.17* | *84.20* | *81.17* | *140.95* | *87.27* | *142.36* |
| Malaysia (69) | 265.23 | +1.1 | 249.03 | 205.12 | 211.52 | 255.83 | +1.0 | 2.56 | 262.27 | 245.01 | 202.25 | 209.77 | 253.26 | 265.23 | 212.49 | 202.87 |
| Mexico (18) | 1430.12 | −0.2 | 1342.80 | 1106.04 | 1140.55 | 4892.55 | −0.1 | 1.23 | 1432.99 | 1338.71 | 1105.09 | 1146.19 | 4897.67 | 1789.77 | 1185.84 | 1312.06 |
| *Netherland (25)* | *156.16* | *+0.4* | *146.63* | *120.77* | *124.55* | *123.05* | *+0.2* | *4.60* | *155.56* | *145.34* | *119.98* | *124.44* | *122.84* | *169.70* | *147.88* | *140.87* |
| New Zealand (14) | 38.57 | −1.2 | 36.22 | 29.83 | 30.76 | 38.35 | +0.0 | 5.90 | 39.04 | 36.47 | 30.11 | 31.23 | 38.37 | 48.52 | 38.57 | 48.76 |
| Norway (22) | 142.58 | +1.8 | 133.88 | 110.27 | 113.71 | 120.95 | +1.3 | 2.00 | 140.08 | 130.86 | 108.03 | 112.05 | 119.40 | 192.95 | 136.04 | 188.91 |
| Singapore (38) | 189.59 | +3.0 | 178.01 | 146.63 | 151.20 | 141.45 | +2.7 | 2.33 | 184.15 | 172.03 | 142.01 | 147.29 | 137.73 | 229.63 | 179.65 | 198.13 |
| South Africa (60) | 153.41 | −2.3 | 144.04 | 118.64 | 122.34 | 145.31 | −1.0 | 3.51 | 156.99 | 146.66 | 121.07 | 125.57 | 146.80 | 283.80 | 144.29 | 258.03 |
| Spain (48) | 111.81 | −0.6 | 104.98 | 86.48 | 89.17 | 92.12 | −0.8 | 6.49 | 112.45 | 105.05 | 86.72 | 89.94 | 92.90 | 161.72 | 110.05 | 152.52 |
| Sweden (31) | 161.14 | +0.5 | 151.30 | 124.63 | 128.51 | 137.76 | +0.4 | 2.85 | 160.28 | 149.73 | 123.61 | 128.20 | 137.14 | 200.28 | 149.69 | 184.35 |
| Switzerland (60) | 112.14 | +0.1 | 105.30 | 86.74 | 89.45 | 94.97 | +0.0 | 2.25 | 112.00 | 104.63 | 86.38 | 89.59 | 94.95 | 122.37 | 95.99 | 94.76 |
| United Kingdom (228) | 167.19 | −0.2 | 156.98 | 129.29 | 133.33 | 156.98 | +0.3 | 4.67 | 167.56 | 156.53 | 129.20 | 134.01 | 156.53 | 200.07 | 164.88 | 176.49 |
| USA (522) | 170.78 | +0.1 | 160.35 | 132.09 | 136.21 | 170.78 | +0.1 | 2.98 | 170.68 | 159.45 | 131.63 | 136.52 | 170.68 | 173.39 | 160.92 | 169.01 |
| Europe (781) | 135.78 | −0.1 | 127.49 | 105.01 | 108.29 | 117.70 | +0.1 | 3.99 | 135.85 | 126.92 | 104.77 | 108.67 | 117.63 | 156.88 | 135.02 | 138.81 |
| Nordic (101) | 146.00 | +0.4 | 137.09 | 112.92 | 116.44 | 117.78 | +0.2 | 2.48 | 145.49 | 135.92 | 112.20 | 116.36 | 117.51 | 188.52 | 141.24 | 182.24 |
| Pacific Basin (714) | 110.87 | +0.6 | 104.10 | 85.75 | 88.43 | 87.58 | +0.9 | 1.39 | 110.26 | 103.00 | 85.03 | 88.19 | 86.81 | 141.97 | 93.70 | 142.79 |
| Euro – Pacific (1495) | 120.95 | +0.3 | 113.56 | 93.53 | 96.45 | 99.73 | +0.5 | 2.57 | 120.61 | 112.68 | 93.01 | 96.47 | 99.24 | 145.21 | 113.80 | 141.56 |
| North America (636) | 167.46 | +0.1 | 157.24 | 129.53 | 133.58 | 166.32 | +0.1 | 3.00 | 167.27 | 156.26 | 129.01 | 133.82 | 166.21 | 170.49 | 158.70 | 157.81 |
| Europe Ex. UK (553) | 116.60 | +0.1 | 109.48 | 90.19 | 93.01 | 96.24 | −0.1 | 3.51 | 116.53 | 108.86 | 89.88 | 93.23 | 96.35 | 132.98 | 115.41 | 116.46 |
| *Pacific Ex Japan (242)* | *160.24* | *+0.8* | *150.46* | *123.95* | *127.81* | *145.84* | *+1.0* | *3.64* | *159.36* | *148.87* | *122.91* | *127.48* | *144.44* | *175.31* | *149.00* | *147.03* |
| World Ex. US (1687) | 121.96 | +0.3 | 114.51 | 94.33 | 97.27 | 101.60 | +0.5 | 2.60 | 121.63 | 113.63 | 93.81 | 97.29 | 101.14 | 146.91 | 116.18 | 143.48 |
| World Ex. UK (1981) | 134.66 | +0.2 | 126.44 | 104.15 | 107.41 | 119.48 | +0.3 | 2.54 | 134.36 | 125.51 | 103.62 | 107.47 | 119.13 | 150.58 | 127.21 | 144.89 |
| *World Ex. So Af. (2149)* | *137.48* | *+0.2* | *129.09* | *106.34* | *109.66* | *122.56* | *+0.3* | *2.75* | *137.20* | *128.19* | *105.82* | *109.75* | *122.19* | *153.05* | *130.04* | *146.92* |
| World Ex. Japan (1737) | 155.50 | +0.0 | 146.01 | 120.26 | 124.04 | 146.60 | +0.1 | 3.36 | 155.43 | 145.20 | 119.87 | 124.34 | 146.46 | 165.40 | 151.93 | 151.87 |
| *The World Index (2209)* | *137.49* | *+0.2* | *129.09* | *106.34* | *109.66* | *122.82* | *+0.3* | *2.76* | *137.24* | *128.21* | *105.84* | *109.78* | *122.46* | *153.70* | *130.66* | *147.65* |





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